Caron’s Corner Transcript – 12.22.2025

Finding the Fix in 2026: A Poem for the New Year

Jim Caron: Hello, this is Jim Caron, CIO of the Portfolio Solutions Group. Welcome to another edition of Caron’s Corner powered by The BEAT, our asset allocation framework across Bonds, Equities, Alternatives, Taxes and short-term Transitional (cash) investing.

Well I'm going to close Caron's Corner for the year with a poem: Finding the Fix in 2026: A Poem for the New Year. So here it goes!

Snow fell heavy on the year’s first page,
A bitter winter set the tone and stage—
Cold winds chilled the U.S. in quarter one,
GDP slipped negative as the year just begun.

Across the Atlantic, ballots were cast,
Germany turned a corner, broke with the past.
With Friedrich Merz and a bold decree,
A trillion-euro push for prosperity—
Fiscal engines roared, demand came alive,
And Europe’s equities learned how to thrive.
Through spring and summer, until July’s sun,
They outpaced the U.S.—a rare half-year run.

In quarter two “Liberation Day” rang loud and sharp,
Tariffs announced like a discordant harp.
Markets trembled, volatility spiked,
Fear was the tune that traders disliked.
But time revealed a gentler refrain:
Tariffs were trimmed, the damage was tame.
The global machine kept turning just fine,
To the surprise of economists drawing grim lines.

In the U.S., earnings began to sing,
Quarter by quarter, an upside spring.
Companies beat what the models had said,
Confidence rose where caution once tread.
New highs were printed, again and again,
As equities danced in a bullish refrain.
Fuel was added—fiscal and fast—
The One Big Beautiful Bill Act passed:
Taxes were eased for firms and for pay,
A stimulus spark that brightened the way.

Yet August whispered a softer sound,
Labor markets wobbled, cracks were found.
The Fed took note, adjusted its stance,
And rate cuts began their careful advance.

Across the Pacific, a long-held strain
Between the U.S. and China eased its pain.
Common ground formed, tariffs reduced,
Stability returned where tension once brewed.

Then December arrived with lights and cheer,
And the Fed wrapped a gift for the year:
A Christmas rate cut beneath the tree,
Though debates loom large for 2026 to be.
How far to go? How fast? How deep?
Questions to keep the markets from sleep.

Now candles glow as the calendar turns,
And hope is the lesson the old year learns.
With tariffs and taxes largely behind,
A new form of stimulus comes to mind:
Deregulation, swift and broad,
Less red tape, a lighter load.
Banks will feel it first, their engines freed,
Not just in the U.S.—a global creed.
Financial systems poised to grow,
As lending flows and confidence grows.

The tax cuts linger, their benefits stay,
Supporting demand in the year ahead play.
Inflation cools, its fire subdued,
GDP rebounds with steadier mood.
Labor, bruised in the back half of ’25,
Finds firmer footing by mid-’26 alive.

Cap-ex continues, machines are built,
Large-cap tech still reaps its gilt.
But the cycle turns, the field grows wide,
Market breadth expands with a cyclical tide.
More sectors rise, the rally spreads,
Beyond a narrow few market heads.

So raise a glass as bells ring true,
To higher equities and credit stable too.
Though ’25 seemed turmoil-tossed and mixed,
The coming year holds a promise—**the fix**.
In winter’s glow and New Year’s light,
2026 comes into sight:
A steadier path, a clearer mix,
At last we’re close to Finding the Fix.

Thank you all for listening to Caron’s Corner throughout 2025. This is my last podcast for the year, but I'll be back with you in 2026! Happy holidays and a happy new year to all.

RISK CONSIDERATIONS

Diversification does not eliminate the risk of loss. There is no assurance that the Strategy will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this strategy may be subject to certain additional risks. The success or failure of such decisions will affect performance**. Active Management:** in pursuing the Portfolio's investment objective, the Adviser has considerable leeway in deciding which investments to buy, hold or sell on a day-to-day basis, and which trading strategies to use. There is the risk that the Adviser's **asset allocation methodology and assumptions** regarding the Underlying Portfolios may be incorrect in light of actual market conditions and the Portfolio may not achieve its investment objective. Share prices also tend to be volatile and there is a significant possibility of loss. The portfolio's investments in **commodity-linked notes** involve substantial risks, including risk of loss of a significant portion of their principal value. In addition to commodity risk, they may be subject to additional special risks, such as risk of loss of interest and principal, lack of secondary market and risk of greater volatility, that do not affect traditional equity and debt securities. **Currency fluctuations** could erase investment gains or add to investment losses. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. **Equity and foreign securities** are generally more volatile than fixed income securities and are subject to currency, political, economic and market risks. Equity values fluctuate in response to activities specific to a company. Stocks of **small-capitalization companies** carry special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. The risks of investing in **emerging market** countries are greater than risks associated with investments in foreign developed markets. **Exchange traded funds (ETFs)** shares have many of the same risks as direct investments in common stocks or bonds and their market value will fluctuate as the value of the underlying index does. By investing in exchange traded funds ETFs and other **Investment Funds**, the portfolio absorbs both its own expenses and those of the ETFs and Investment Funds it invests in. Supply and demand for ETFs and Investment Funds may not be correlated to that of the underlying securities. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. A **currency forward** is a hedging tool that does not involve any upfront payment. The use of **leverage** may increase volatility in the Portfolio.

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