

Hillman Capital Management 4th Quarter 2025 Market Commentary

At Hillman Capital Management (HCM), we strive to prudently add value for our clients over the long term. In doing so, we work hard to construct and maintain portfolios appropriate for the goals, risk tolerance and time horizon of each client. Within the equity component of our portfolios, we take a long-term approach, investing in companies that we believe enjoy sustainable competitive advantage. Our goal is to purchase securities of advantaged firms when they sell at a discount to estimates of fair market value. We believe that our approach may offer a prudent way to control risk, with the potential to outperform the market over time. Within that context, we offer a quarterly commentary.

During the fourth quarter of 2025, the US Federal Reserve Bank's Open Market Committee continued its normalization campaign, dropping the target federal funds rate by 50 basis points to a range of 3.50% to 3.75%.

U.S. Large Cap Equities continued to perform well, with the Russell 1000 Value TR Index rising 3.81% and the S&P 500 TR Index jumping 2.65%. U.S. Small Cap Stocks, as measured by the Russell 2000 TR Index, added 2.19%. International equities, measured by the MSCI EAFE TR Index, finished the year strong, rising 4.91%, and the MSCI Emerging Markets TR Index tacked on another 4.78%.

United States bond markets were little changed, despite political chaos, a buildup of military assets near Venezuela, and a 43-day government shutdown. The yield on the Ten-Year US Treasury Note changed from 4.16% to 4.18%. Abroad, the German Ten-Year Government Bond yield and the Japanese Ten-Year Government Bond yield rose from 2.71 to 2.86%, and from 1.65% to 2.08%, respectively.

International economic growth may be tempered by the wars in the Middle East, military tensions in the Americas, US fiscal uncertainty, the ongoing confrontation in Ukraine, tariff and trade disputes, and labor actions. Developed economies and large companies are adept at navigating these types of disruptions, and we caution against investing based upon overly optimistic or unnecessarily dire scenarios. We implore investors to adhere to their long-term asset allocation programs.

We will continue to focus our energies on making prudent long-term investment decisions within the context of our clients' needs. Our equity strategies continue to be driven by our core belief that competitively advantaged companies will outperform their peers through economic cycles and market cycles. Our goal is to invest in great enterprises at attractive prices. We will continue to invest according to this precept for the long-term interests of our clients.

Regards,



Mark A. Hillman
CEO and Chief Investment Officer

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