

FILIPPO ADVISORY SERVICES

2025 REVIEW
2026 OUTLOOK

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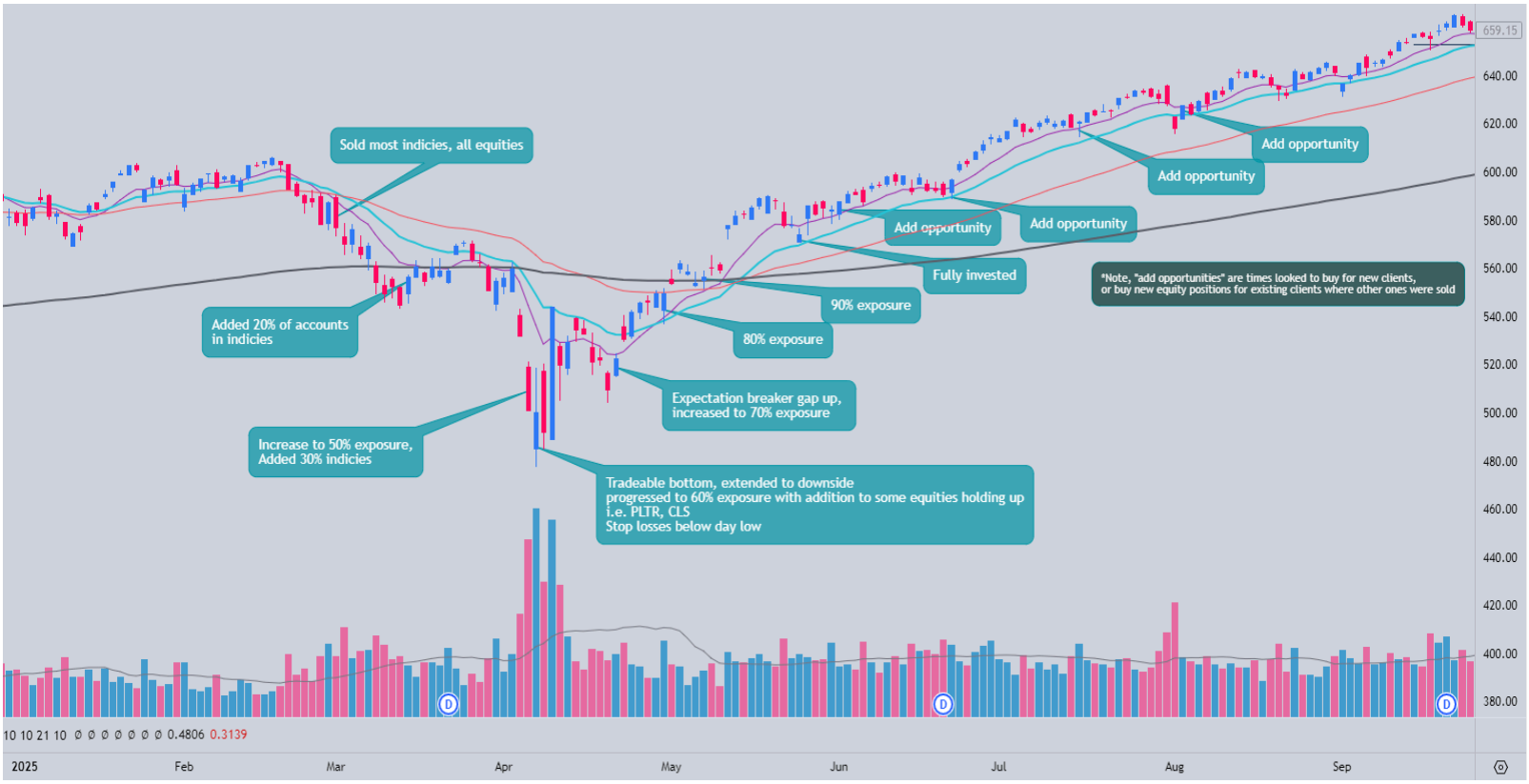
DATE
Jan 1, 2026

2025 in Review

2025 was an overall strong year, with general indices performing well across the board. Large Caps outperformed small caps, with the Magnificent 7 up 23% this year, S&P up 18%, and Small Caps up only 11% in comparison. With a dovish cut towards year end, we can expect rotation into more speculative names in 2026 if everything stands. Notable themes driving market growth were artificial intelligence, aerospace and defence, and commodities. Compared to a year ago, interest rates in 2025 are lower as inflation has continued to ease and central banks have shifted away from restrictive policy. In the U.S., the Federal Funds rate declined from roughly 5.25 to 5.50% in early 2024 to the mid 4% range in 2025, while Canada's overnight rate fell from about 5% to the low 4% range. Economic growth slowed but remained positive, with year-over-year GDP growth in most developed economies running near 1–2%, consistent with a late-cycle normalization rather than recession. Year end GDP figures beat estimates of +3.8%, with growth of +4.3% reported, offering a tailwind into the new year.

Financial markets experienced a sharp pullback in March–April 2025, driven primarily by the announcement and escalation of new trade tariffs, which raised concerns about higher input costs, disrupted supply chains, and renewed inflationary pressures. These measures created uncertainty around corporate margins and global trade flows, leading to increased volatility and a sharp decline in equity markets. Markets recovered in the weeks that followed as the scope and implementation of the tariffs became clearer, trade negotiations softened initial fears, and economic data continued to show resilient demand. Combined with expectations that central

banks would still proceed cautiously with rate cuts, investor confidence improved and markets stabilized. We took advantage of this decline through risk management, and progressive exposure, outlined in the graph below;



We use progressive exposure and risk management for all of our clients simply because we do not have a crystal ball. No one is able to predict the market with 100% certainty, but what you can do is buy proven indexes at deep discounts, buy stocks at low risk entry points, and find clear areas of demand to risk below. This is why we did not go all-in for anyone, as the market could have just as easily continued to roll over. Progressive exposure and risk management allowed us to cut losers early while adding to winners, offering a risk-managed approach with little drawdown to maximize gains for the rest of the year.

Market and Sector Performance

Market performance was overall green across a one year time frame.

Description	% Change Year
S&P	17.72%
Equal weight S&P	9.45%
NASDAQ	20.77%
Equal weight NAS	13.24%
Dow jones 30	12.27%
Mag 7	22.99%
Mid-caps	6.62%
Small-caps	11.02%
Short VIX	11.14%
Innovation	28.22%
Global exposure	17.47%
Dividend Co	11.63%
Gold Miners	89.36%
1-3yr T-Bill	1.05%
7-10yr T-Bill	4.17%
20yr T-Bill	0.60%
30yr T-Bill	0.10%

Notable Sectors include the mining ecosystem, Space, Defence, biotechnology, and energy;

Sector	% Change Year
Silver Trust	81.21%
Gold Miners	63.91%
Metals/mining	50.08%
Space	48.49%
Uranium	36.27%
Clean Energy	35.79%

Steel	33.11%
Solar	34.45%
Aerospace	35.63%
Semiconductors	34.32%
Biotechnology	26.37%
Quantum Computing	27.44%
Self-driving	24.30%
Social Media	23.77%
Telecom	22.27%
Technology	20.36%
Blockchain	23.64%
Genomics	16.99%
Communications	18.70%
Travel	16.22%
Industrials	16.28%
Growth Stocks	16.62%
China Internet	13.56%
AI & Robotics	14.34%
Financials	12.95%
HealthCare	12.33%
Robotics	13.13%
Banking	9.73%
Medical	11.66%
Airlines	10.46%
Utilities	11.55%
Transports	10.09%
Transports	10.09%
AI Power	8.61%
Agriculture	8.55%
Materials	8.21%
Materials	8.21%
Retail	7.54%

Cybersecurity	8.24%
Insurance	6.95%
Consumer Discretionary	6.91%
Software	6.60%
Medical Devices	6.79%
Energy	4.66%
Oilers	0.44%
Casinos	0.49%
Real Estate	0.16%
Consumer Staples	-0.58%
Home Construction	-5.89%
Bitcoin	-6.64%
Etherium	-14.25%

2026 Outlook

Most major economists and investment banks expect moderate economic growth in 2026, with global GDP around 2.5% to 2.9% and the U.S. economy outperforming peers due to resilient consumer spending and investment growth drivers like AI and fiscal support. Central banks are widely expected to continue lowering interest rates or keeping them accommodative as inflation pressures ease further, which can be supportive for risk assets including stocks. Lower interest rates stimulate spending and investment, which could cause investors to rotate towards small and mid caps rather than the large cap dominance we saw in 2025. This backdrop supports ongoing corporate earnings expansion and reinvestment, an essential foundation for equity markets.

Notable themes to watch are the remainder of the Artificial Intelligence buildout, and also the entire space economy. 2026 is set to be a large year for Initial Public Offerings, with notable companies such as OpenAI and SpaceX seeking funding. These names alone will attract investors to the sector, and look for sympathy investments to profit from the catalyst. For instance, SpaceX rocket launches need manufacturing, metals, data, and many more aspects that are often overlooked by these large headlines. We look to dive deep into these themes, and find the hidden value that the market may miss. In terms of artificial intelligence, global spending on AI-related infrastructure including data centers, semiconductors, cloud capacity, and energy is already running hundreds of billions of dollars annually, with estimates suggesting cumulative AI investment could exceed $1 trillion globally over the next several years. Capital expenditure by hyperscalers continues to grow at double-digit rates year over year, reflecting sustained demand for compute power. In parallel, the space economy is expanding rapidly, with the global space market estimated at roughly $500 to $600 billion today and projected to grow toward $1 trillion over the next decade, driven by satellite broadband, launch services, defense spending, and space-based data. SpaceX alone has conducted more launches annually than all other providers combined, highlighting the industrial scale of this shift. Together, these themes represent long-duration investment opportunities tied not to short-term cycles, but to foundational infrastructure buildouts that could shape market leadership and capital flows well beyond 2026.

Top Growth Picks Going Into the New Year

It is still very early in the AI product cycle, where the biggest gains have been reserved for the AI hardware-energy-buildout names. It feels like the next phase and big winners of the AI trade will be the companies who *actually apply* AI to their business and generate meaningful revenue and provide genuine value to their customers. Whether this is at the enterprise or consumer level, AI applications feel like the next obvious phase of the AI trade. Historically, the biggest gains in any major technological revolution don't come from the early infrastructure buildout like we've seen thus far, but from the companies that successfully turn that infrastructure into real products and meaningful revenue. In addition, sectors that are supported by government funding have a history of outperforming the market, with $850 Billion of funding flowing into the space sector in 2025. To couple with AI, the sector is also now viewed as infrastructure, as satellite networks underpin GPS, communications, financial systems, and military operations. Based on these ideas and the sectors listed previously, below is a list and description of companies that we think will *continue* to outperform in 2026. It is important to note that this is not a recommendation to buy these stocks now. Regardless of our thesis, we could be proven wrong at any time, even before we enter a position, where we will then follow our exit rules to manage the position.

<u>The Space Economy</u>

$GE *- GE Aerospace Inc.*

2025 performance: +85.73% *Price as of Dec 31, 2025: $308.03*

GE's investment case is anchored in its aerospace business, which benefits directly from rising global flight activity and indirectly from space and defense priorities. The most important

driver is GE's massive installed base of jet engines, which generates recurring, high-margin revenue through maintenance, repair, and overhaul services. As aircraft utilization continues to rise and airlines prioritize keeping existing fleets operational, GE captures steady cash flows that are less volatile than new equipment sales. This creates strong earnings visibility into 2026. In addition, increased defense spending tied to national security and space-related priorities supports GE's defense aviation exposure, aligning the company with the same government funding trends that underpin the broader space narrative. As supply-chain pressures ease and engine deliveries normalize, GE stands to see operating leverage translate into faster earnings growth than the broader market.

$CRS *- Carpenter Technology Corporation*

2025 performance: +86.23% *Price as of Dec 31, 2025: $314.84*

Carpenter Technology benefits from the same macro forces, but from a materials and manufacturing angle. CRS supplies high-performance specialty alloys used in aerospace engines, defense systems, and other extreme-environment applications where reliability and precision are non-negotiable. As aerospace production rates rise and defense procurement remains elevated, demand for these specialized metals increases. Carpenter has been converting this demand into stronger margins through long-term contracts and improved pricing discipline, giving it significant operating leverage. Bookings for aerospace and defence increased by 25% this year, with 60% of their revenue generated from the sector. Because specialty alloys are difficult to substitute and capacity is limited, CRS acts as a "picks-and-shovels" play on aerospace and space growth rather than a speculative bet on individual missions.

$PL *- Planet Labs PBC* ***Speculative*

2025 performance: +388.12% *Price as of Dec 31, 2025: $19.72*

Planet Labs operates a large constellation of small satellites that capture frequent, high-resolution images of the Earth, selling data and analytics to governments, defense agencies, and commercial customers. In a growing space economy, Planet Labs function as a data-layer provider rather than a launch or hardware company, aligning well with the space buildout we are expecting to see in 2026. Planet has been delivering strong double-digit revenue growth and expanding contracted backlog, improving revenue visibility into future years. While profitability is still developing, institutions have been accumulating shares and recurring revenue scales and operating costs are expected to be absorbed across a larger customer base.

Semiconductors/AI Value Chain

$ASML *- ASML Holdings Inc.*

2025 performance: +55.62% *Price as of Dec 31, 2025: $1069.86*

ASML holds a near monopoly in the lithography portion of semiconductors, essential towards the implementation in products. If AI compute demand stays strong, foundries and logic players typically keep spending to push nodes and yields. Without ASML's technology, the semiconductor industry cannot shrink transistors further to create faster, more efficient chips, effectively halting technological progress.

$COHR *- Coherent Corp.*

2025 performance: +94.84% *Price as of Dec 31, 2025: $184.57*

Coherent holds the hard materials that keep the AI stack operating under massive heat, power, and bandwidth loads. The AI buildout doesn’t stop at GPUs, as optical interconnect demand rises

as data centers scale, with faster links, more transceivers, and more photonics. Scarcity and irreplaceability define their economic moat. These components can also benefit from broader industrial and defense and space spending, which is currently at record highs. Coherent posted record FY2025 revenue of $5.81B with GAAP gross margin 35.2%, non-GAAP 37.9%, and a non-GAAP EPS of $3.53.

$GOOG *- Alphabet Inc.*

2025 performance: +65.42% *Price as of Dec 31, 2025: $313.80*

Alphabet operates Google Search, YouTube, Android, and Google Cloud, giving it unmatched global distribution across information, advertising, and enterprise software. Alphabet benefits from both sides of the AI cycle: infrastructure investment through Google Cloud and application-level monetization via AI-enhanced search. Gemini is being embedded directly into Search, Workspace, Android, and Cloud, allowing Google to defend and potentially expand monetization by improving query quality, user engagement, and advertiser ROI. Financially, this matters because even small improvements in Search engagement or ad efficiency can have outsized impacts on earnings given Google's scale. Analysts broadly expect Alphabet to deliver steady EPS growth into 2026, supported by cloud margin expansion and resilient advertising demand. Although Gemini increases near-term capex and operating costs, the bull thesis is that Alphabet converts this investment into durable, platform-wide earnings power, reinforcing its dominance in both AI infrastructure and AI application monetization.

AI-Applied Software

$RDDT *- Reddit Inc.*

2025 performance: +40.64% *Price as of Dec 31, 2025: $229.87*

Reddit operates one of the world's largest discussion platforms, hosting millions of topic-specific communities that generate uniquely human, constantly updated content. Interestingly, Reddit contributes to training AI on human interactions by licensing its conversational data to AI developers, setting and enforcing usage terms, and providing a broad, natural dataset. The platform's involvement reflects both commercial partnerships and data governance efforts to balance AI advancement with user privacy and control. In an AI-driven internet, the content posted has growing strategic value for advertising, search, and data licensing, making Reddit a beneficiary of both digital ad recovery and AI-related monetization. Financially, Reddit has shown rapid revenue growth alongside triple-digit EPS growth and projections, demonstrating significant financial upside.

$PATH *- UiPath Inc.* ***Speculative*

2025 performance: +28.95% *Price as of Dec 31, 2025: $16.48*

UiPath provides robotic process automation and enterprise workflow software that allows organizations to automate repetitive digital tasks, increasingly enhanced by AI agents and decision-making tools. If 2026 is when markets reward AI that actually creates productivity and revenue, automation platforms can be a direct "ROI story" for enterprises. UiPath's financial profile entering 2026 shows recurring revenue strength and improving profitability. UiPath has historically operated at very high gross margin levels (~80%+), with improving free cash flow, positioning it to benefit if AI-driven workflow automation boosts enterprise spending.

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