2025 Year-End Economic Update & 2026 Market Outlook

2025 was a near repeat of 2024. However, I anticipated a broadening of the US economy in 2025, yet quite the opposite prevailed; continued dominance by the Mag 10 stocks (Nvidia, Apple, Alphabet, Microsoft, Amazon, Meta, Broadcom, Tesla, Berkshire Hathaway, and Eli Lilly) exacerbated by April's "Liberation Day" debacle.

So, despite demonstrable profitability, nearly 40% of the remaining 490 companies listed on the S&P 500 plumbed back to 52-week lows, giving rise to the term "Special K" (not the cereal) to describe the performance bifurcation between the "AI-have" and "Have-not" companies (Figure #1). As a result, equal-weighted portfolios like the Oasis Growth Fund (OGF), lagged the market (S&P 500 Equal Weight in $CAD = 5.6%). OGF performance for the year was (0.50%): https://www.fieldhousecap.com/funds/oasis-growth-fund/.

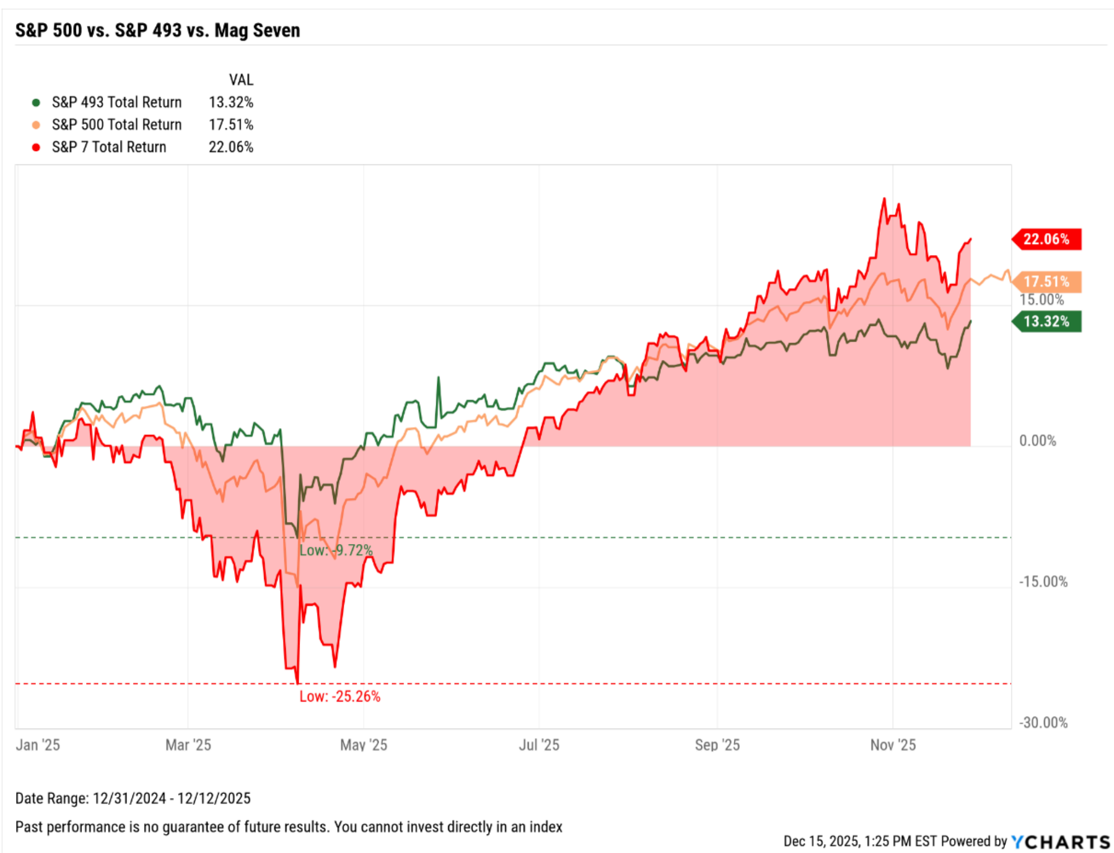


Figure #1 Source: YCharts

"It is worth noting that as of late summer (2025), quality investing has been out of favour and performance for 2025 has been flat after very strong 2024 and 2023 results. Interestingly, high quality stock relative underperformance [compared to negative cashflow businesses] is at 1999 extremes."

Jason Del Vicario
Portfolio Manager, Hillside Wealth Management

The outlook for 2026, though, looks promising. The backdrop and outlook is broken down as follows:

- ◊ 30-Second Economic Report Card
- ◊ 4 Investible Trends for 2026 & Beyond
- ◊ 6 Catalysts
- ◊ 6 Notable Risks
- ◊ 3 Oasis Growth Fund Pivots

30-Second Economic Report Card (as at Dec 31, 2025)

Economic Criteria	Data	Comment	Grade (A-F)	Source
US GDP (Estimate)	1.6 – 2.0%	LT Avg is 2.5%	C	BEA
10 Year US Treasury Yield	4.00%	Best under 5%.	A	Treasury
10/2 Year US Spread	0.68%	Positive sloping is good	A	YCharts
Inflation (PCE)	2.8%	In target range of 2-3%	A	BEA
Unemployment Rate	4.6 %	Full employment is below 5%	A-	BLS
Service Industry (ISM)	52.6	Growing (84% of labor force)	A	ISM
Manufacturing (PMI)	48.2	Shrinking (8% of labor force)	D	PMI
Summary Grade = A				

Asset	2025 YTD Returns	Comments	Grade (A–F)	Source
S&P 500 Index	17.43%	10-Year Avg = 13%	A	S&P 500
Gold	63.3%	China buying gold to backstop Yuan	A	Gold Price
Bitcoin	-6.2%	Functional value?	F	Yahoo

Oil (Brent)	-20.0%	5-Year Avg = $74. Lower $$ is better.	A	MacroTrends
Summary Grade = A				

4 Investible Trends for 2026 & Beyond

The following trends are expected to persist through the next several years. Along with each trend are a list of the stocks held by the Oasis Growth Fund poised to benefit from these trends.

1. Artificial Intelligence (AI)
   - This is still the very early stage of AI adoption by businesses, governments and consumers. The trend is expected to endure across multi-decades, driving investment across all industries (Figure #2) on a global basis. Hyper-scaling companies (Amazon, Meta, Google, Microsoft and Oracle) have already lifted their 2025/26 capex from **$280B to $405B**. Beyond the obvious AI headline businesses (Open AI, Claude AI, etc.), there is a robust eco-system surrounding this 4th Industrial Revolution. The OGF is taking a diversified 'picks & shovel' approach to capture AI growth.
     - **Hardware Devices & Semi-Conductors**
       - **OGF Stocks - Nvidia, Taiwan Semi-Conductor, Micron Technologies, Super Micro Computers, Ciena Corporation**
     - **Data Management & Cloud Infrastructure**
       - **OGF Stocks - Amazon, Google, Celestica**
     - **Foundational Models & Core Capabilities**
       - **OGF Stock - Meta**
     - **AI Applications & Software**
       - **OGF Stocks - Service Now, Constellation Software**

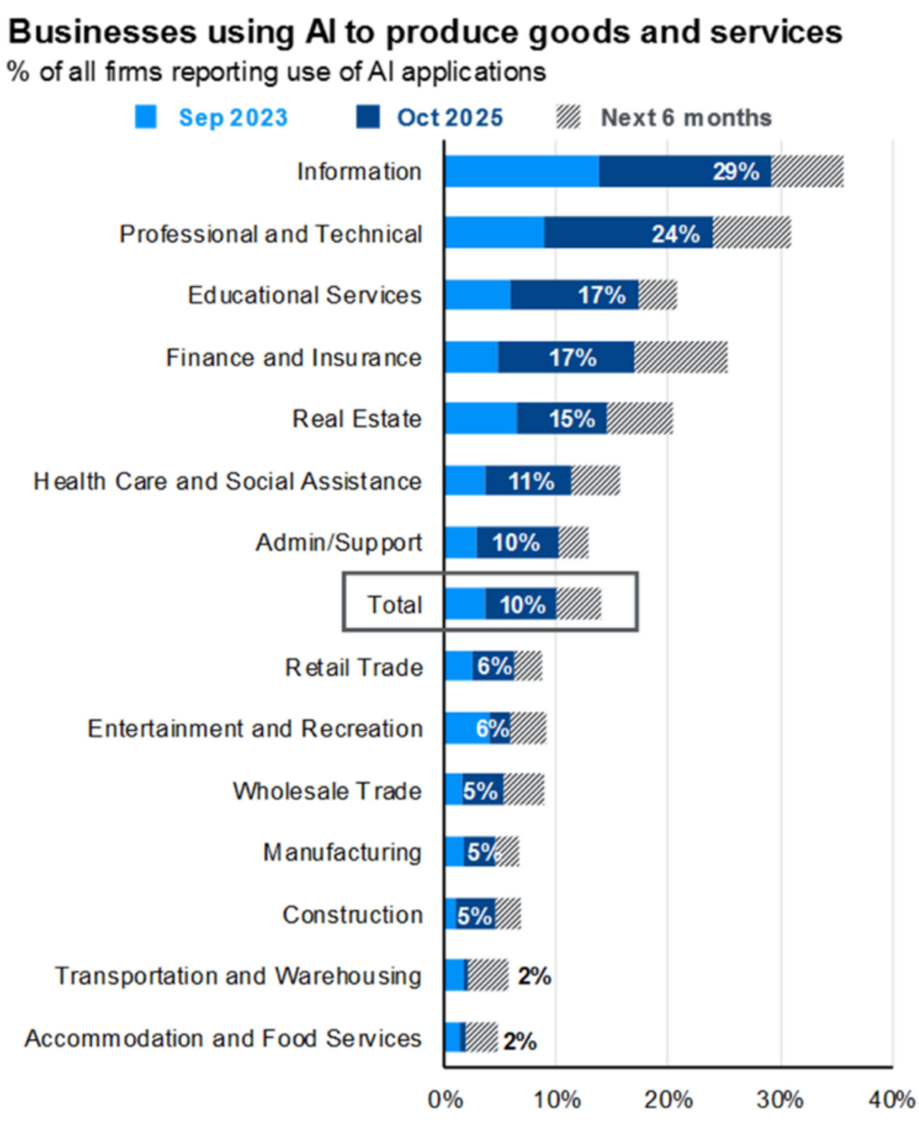


Figure #2 Source: [JPMorgan Guide to the Markets]

2. Global Security
    - Increasing **geopolitical tensions** and **cyberattacks on critical infrastructure** are demanding ever-increasingly sophisticated security solutions.
        - **OGF Stock - Palo Alto Networks**
    - **Defense, aerospace, and space-adjacent industries** are accelerating amid heightened geopolitical tensions and technological competition.
        - **OGF Stocks – TransDigm**

3. Rebuilding America

- A national build-out of the energy infrastructure to support EV and data centres will be key over the next several years fuelling a commodity up-cycle for rare-earth minerals and basic metals (Figure #3).
    - **OGF Stock - ATI Inc.**
- US Congress is expected to table another "Big Beautiful Bill" (BBB 2.0) to modernize U.S. infrastructure—bridges, roads, rail, ports, and airports.
    - **OGF Stocks - Sterling Industries, Quanta Services, Wildan Group**

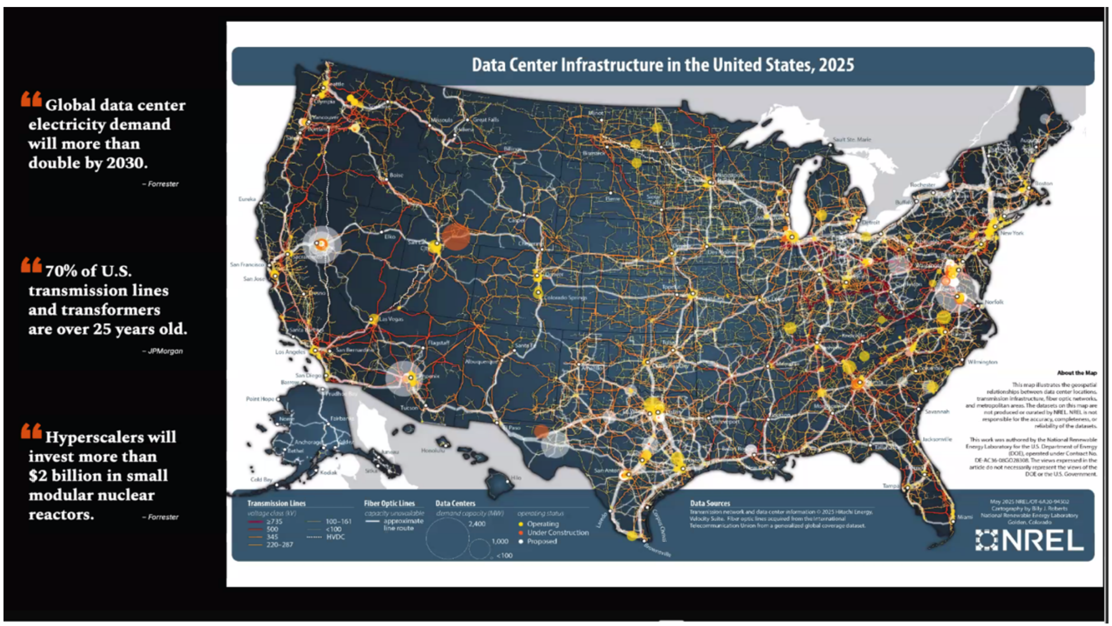


Figure #3 Source: [Visual Capitalist]

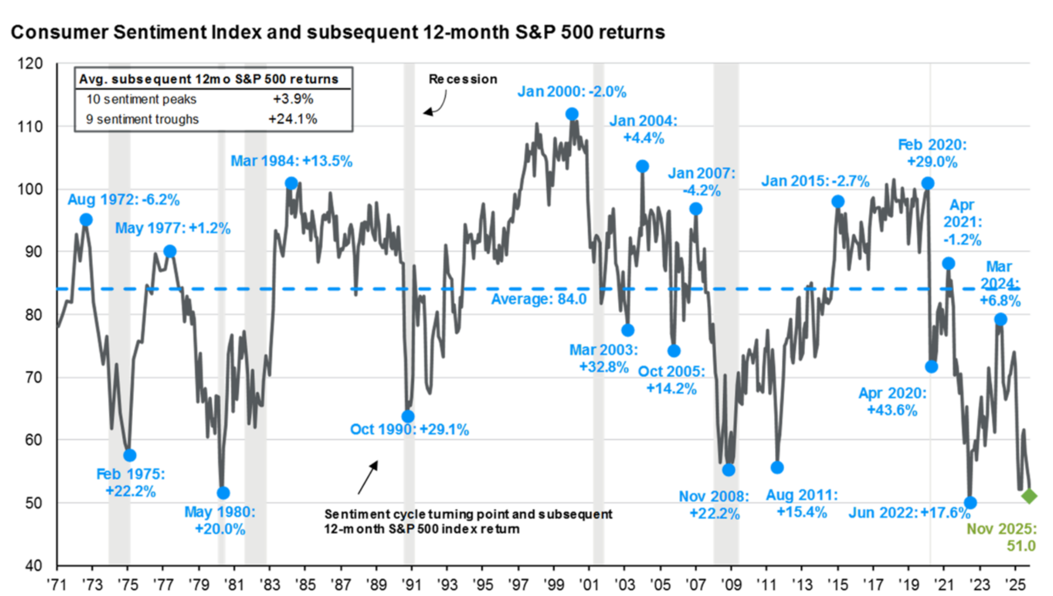
4. Energy Security

- Energy security and transition to a low-carbon economy requires substantial investment in power generation, grid stability, energy sources, including renewable and nuclear. Rising energy demands from the EV sector and data warehouses are currently stressing the available supply.
    - **OGF = TerraVest Industries, Quanta Services, GE Vernova, Cheniere Energy**

6 Catalysts

1. **Corporate America continues to deliver.** During Q3 '25 corporate earnings season, **83% of S&P 500 companies beat earnings expectations** (according to FactSet), marking the **ninth consecutive quarter of positive earnings growth**. For 2026, **corporate profitability is expected to increase substantially to 14.5%,** according to FactSet.

2. **Consumer Confidence** (CC) **may currently be weak** but historically is a **contrarian indicator**. Figure #4 suggests that when consumer confidence reaches a low ebb, it is consistently followed by double-digit stock market rallies. The latest CC print is at a 50-year low.



- Figure #4 Source: [JPMorgan Guide to the Markets]

3. **Dovish monetary policy.** When Jerome Powell's term as Federal Reserve Chairman comes to an end mid-May 2026, the probability is that a loyalist will be appointed with an explicit mandate to supply easier monetary policies (lowering the Bank Rate, Quantitative Easing, etc.). *"This could be huuuge!"*

4. **Pro-business fiscal & tax policies** will provide further tailwinds, including tax incentives, chip-manufacturing subsidies, continued deregulation, and infrastructure spending (BBB 2.0).
5. **Payment of a 'Warrior Dividend'** by the US Administration to active members of the military prior to Xmas should translate into a bonus for retailers.
6. **Technical Indicator** - the very rare **Zweig Breadth Thrust Indicator** activated in April '25 projects that this rally should last well into 2026.

6 Notable Risks

Despite the above-noted constructive fundamentals, there are 'storm clouds' on the horizon (listed in no particular order):

1. **US Administration policy unpredictability**, including potential renewed tariff escalation and subversion of the upcoming **USMCA renegotiations,** is continuing to erode America's 'soft power'.
2. A **change in the Federal Reserve leadership from the last adult in the room to a loyalist**, could reignite inflation and induce unhealthy currency dynamics for the $USD. J. Powell's term ends May 2026.
3. **Unprecedented pace of debt issuance**. The US national debt is $38T (Debt clock) and rising at **$1T per month**. At 19% of the US Federal budget, **interest is the second largest expenditure** (Social Security =22%, National Defense =14%). This is sustainable only if GDP remains above 3%.
4. **Unwinding the Japan 'Carry Trade' -** Japan's decision to **raise interest rates above zero** (since 2016) could result in the Japanese Gov't selling-off a significant portion of the **world's largest foreign reserve of U.S. Treasuries** (Japan holds ~$1.2T). By selling $US Treasuries and repatriating the capital back to Japan, the value of the Yen will likely rise. This would be a double whammy for highly leveraged hedge funds who could be forced to sell risky assets (often illiquid) to repay their Japanese loans. Thus, raising Japanese rates even slightly could induce volatility across global bond and FX markets.

5. **Geo-political 'Black Swan' risks**, including the potential for global systemic stress stemming from a collapse in the Russian economy and/or escalation in any of the other current conflict hot zones (Venezuela, Ukraine, Gaza, SE Asia (Taiwan), sub-Saharan Africa, Greenland).

6. Overall, extended market valuation remains the primary concern. The **Warren Buffett Indicator** (Figure #5) **places the S&P 500 at approximately 230% of U.S. GDP**. This is just math. If 2026 earnings accelerate, which is expected, there could be a soft landing. However, at a P/E of 27x, the market is in nose-bleed territory (historical avg P/E is ~18x).

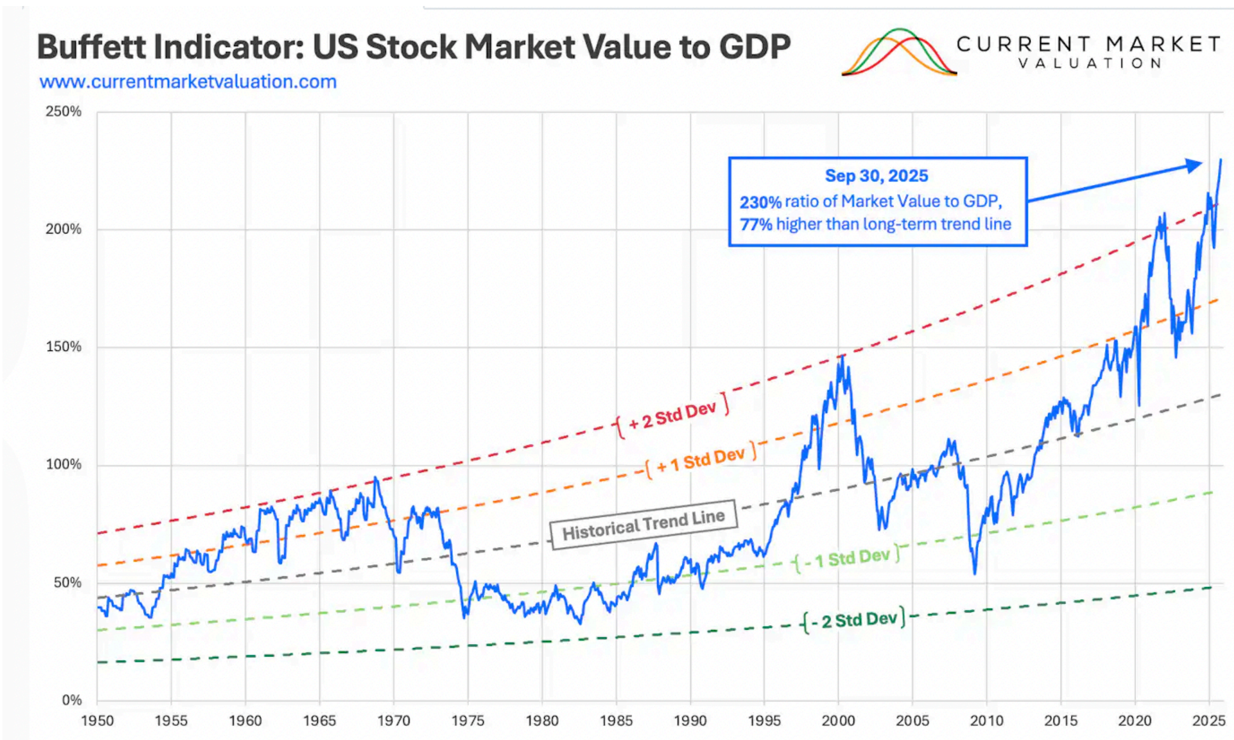


Figure #5 Source: [Current Market Valuation]

3 Oasis Growth Fund Pivots

Underlying perspectives:

- Cautiously bullish.
- Economic factors are stable.
- US Administration is pro-business, to a fault.
- US economy will be "juiced-up" by favourable Monetary and Fiscal policies.
- Corporations are profitable and investing significantly in Capex (i.e., AI). Amongst all factors, Capex provides the greatest economic multiplier.

- Consumers are severely bearish, yet, historically, this is a bullish signal.

1. To increase the potency of the OGF, the core portfolio has been **reduced from 40 to 30 high quality compounding growth stocks,** primarily focused on the 4 themes mentioned above, yet still sector diversified.
2. **Increased hedging protection** due to the persistent elevated market valuation.
3. An **FX short on the $USD** given concerns about wonky US policies, excessive, persistent budget deficits, and the growing risk of a reversal of the Japan 'Carry Trade'.

In the pursuit of long-term growth, the OGF invests in top quality, North American compounding stocks (growth +dividends + loan repayments + share buybacks + corporate spin-offs). Being an equal weighted portfolio, the reduction of positions will naturally increase the average position size (from 2.5% to 3-4%). This is in anticipation that the Mega 10 will continue to hold value but that there should also be a worthy broadening of the economy and subsequent recovery in the 'Special K' stocks. Historically, markets advance better when faced with a "wall of worry".

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For an update on the Oasis Growth Fund core stock positions, contact the PM:

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Fieldhouse Pro-Funds

Strategic Income Fund
Enhanced Pension Plus Fund
Oasis Growth Fund
Global Managed Futures Fund

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The return of the Oasis Growth Fund is based on monthly total returns of the Fieldhouse Pro Funds Trust – Series O Oasis Growth Fund in Canadian dollars since inception at January 1st, 2020. All returns are time-weighted total returns of the F class, net of fees, and annualized for periods one year or greater.

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Jay is the Portfolio Manager of the Oasis Growth Fund. He also authored "The Investing Oasis: Contrarian Treasures in the Capital Markets Desert" which details how the Oasis Growth Fund is managed.

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