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50
YEARS

INVESTMENT REVIEW

4Q 2025

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ECONOMIC COMMENTARY



BY HAROLD G. KOTLER, CFA

Founder-Chairman, Chief Investment Officer

Who among us wouldn't love to see calmer waters? The level of tension across our society is palpable and deeply uncomfortable. Opinions are so filled with angst that it has become difficult to have reasonable conversations about the state of our country and the world. The sad reality is that this tension is not going away any time soon. The passions of these views are incredibly strong, and most people are unwilling to compromise how they see the world.



Having acknowledged this state of affairs, how do we conduct ourselves? While social behavior is not the point of this letter, it does, and will continue to, influence investment behavior. For many, it was hard, if not impossible, last spring to imagine the stock market rising again after such a sharp decline. Since that time, the market, as measured by many indices, has pushed to new record highs. The reversal has many shaking their heads in disbelief and assuming it is only the calm before the storm.

“Time and again, history has shown that people adjust, improve, and grow. Our resilience as citizens of the world comes from our ability to adapt, expand, and ultimately figure things out.”

It is so easy to conclude that the tensions described above, combined with recent market behavior, mean we are in one gigantic bubble and that the years ahead cannot possibly be profitable for investors. But they very well may be. Why? Because the fundamentals of economics, capitalism, and entrepreneurship are not being left at the door. American business acumen is not governed by social tension. Corporate leaders are responsible for running successful companies. That responsibility requires focus, discipline, and the ability to

look beyond the mood of the moment. Businesses cannot operate effectively if they are trapped by fear. This past year alone demonstrated that companies unwilling to conduct business-as-usual due to concerns over tariffs, bubbles, or inflation would have missed the significant economic growth enjoyed by the US economy.

I have commented in previous letters on the evolving world that technology continues to shape. Our daily lives have changed dramatically as technological innovation has altered so much of our everyday experience. The pace of the changes has been remarkable. Many argue that such progress only benefits those at the top, but that claim has been made repeatedly over the last century. Time and again, history has shown that people adjust, improve, and grow. Our resilience as citizens of the world comes from our ability to adapt, expand, and ultimately figure things out.

Of course there is much to be concerned about in today's world, but there is also much to be excited about. However one balances those forces, our lives should be guided by optimism rather than fear, including how we invest. Pessimism has never been a good way to make decisions, in life or investing. And there is no such thing as the “the good old days.” There is only where we are, here and now. And so, if you wrestle with the state of our

country and the world, invest with the understanding that progress will continue, with or without you.

The core of intelligent investing is, and always has been, diversification. The attributes of a successful approach are patience and discipline, grounded in humility. We work hard to identify the best opportunities, but investing is an art, not a science. The risk to investors is not only the fear of losing money, but how easily today's markets allow us to act on that fear. The liquidity that the stock market provides makes it possible to change course at a moment's notice, often in reaction to headlines or emotion. That ability, while valuable, also presents a real risk, and it is part of what makes this such a complicated time for investors.

Both we and you must be comfortable with your asset allocation and then allow the process to unfold. Any mid-course change must be clearly thought out and driven by long-term objectives, not reactions to the moment.

I wish you all a healthy and happy 2026, and please know that we at GW&K are always here for you.

Happy New Year.

Harold G. Kotler, CFA
 Founder-Chairman, Chief Investment Officer

GW&K NEWS

STAY INFORMED WITH GW&K

GW&K Recognized as a Best Place to Work in Money Management for the Fifth Consecutive Year!

Pensions & Investments, the global news source of money management, conducts this annual survey and recognition program to identify and recognize the best employers in the money management industry. We are thrilled to announce this is the fifth consecutive year that GW&K has participated and been recognized with this honor in the 100-499 employee category.

Since our founding in 1974, GW&K has been defined by its uniquely collegial and collaborative environment. Recognition like this reaffirms the power of our culture and highlights how the dedication and commitment of all of our employees have made GW&K such an exceptional place to work. We're proud of what we've built together and remain deeply committed to investing in our people and creating meaningful opportunities for growth. Their success is the foundation of everything we do.

We begin the new year with clarity and optimism, committed to building on our momentum and strengthening enduring, mutually rewarding relationships with our clients, colleagues, and the communities we serve.

Read more on our website, gwkinvest.com.



\$52.8 | TOTAL ASSETS
 BILLION | UNDER MANAGEMENT

177 | EMPLOYEES

50 | INVESTMENT
 PROFESSIONALS

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FOURTH QUARTER 2025

ECONOMY

- ▶ Economic activity surprised to the upside, with Q3 real GDP accelerating to a 4.3% annualized rate from 3.8% in Q2, helped by consumer spending, exports, and ongoing investment in AI and equipment.
- ▶ Hiring stayed subdued. November payrolls rose 64,000 after an October decline tied to federal job losses, and unemployment increased to 4.6% — a reading the Bureau of Labor Statistics cautioned was noisier than usual given shutdown-related survey disruptions.
- ▶ Consumer conditions remain mixed: spending accelerated earlier in the fall, but October retail sales were unchanged and affordability pressures (housing/autos) remain a constraint for lower- and middle-income households.
- ▶ Inflation cooled on the November CPI release (2.7% headline, 2.6% core), but with October price data unavailable, investors are relying on partial indicators to gauge whether tariff-related price pressures have peaked.

FED ACTION

- ▶ The Fed used Q4 to move policy closer to neutral, cutting rates by 25 bps at both the late October and early December meetings, bringing the funds rate to 3.50%–3.75%.
- ▶ October and December both produced dissents on opposite sides (a larger cut versus no cut), underscoring how close officials believe policy is to “neutral” and how sensitive the outlook is to incoming data.
- ▶ The Fed also ended quantitative tightening in December, and signaled reserve-management purchases of short-dated Treasuries as needed to maintain an ample level of reserves.
- ▶ Minutes and projections point toward a pause, with many officials favoring patience until clearer inflation and labor data emerge after shutdown-related gaps, and the median 2026 dot plot implies only one additional cut.

BOND MARKETS

- ▶ The Bloomberg Aggregate Bond Index returned 1.1% in Q4, finishing the year up 7.3%, its strongest annual performance since 2020. This positive performance is some evidence that the bond market continues to believe in the Fed’s ability to keep inflation in check while also supporting the labor markets and therefore real economic growth.
- ▶ The Treasury yield curve continued to steepen, with the 2s30s segment ending the year at its steepest level. The front end remained anchored by accommodative Fed policy, while the long end reflected inflation concerns, elevated supply, and softer dollar demand.
- ▶ Securitized assets led performance, with Agency MBS outperforming amid reduced-rate volatility. Investment-grade corporates generated positive excess returns, as incremental carry offset modest spread widening.

INDEX PERFORMANCE

	12/31/25	
	QUARTER	YEAR TO DATE
Bloomberg 10-Year Municipal Bond Index	1.74%	5.92%
Bloomberg Aggregate Bond Index	1.10%	7.30%
Bloomberg High Yield Index	1.31%	8.62%
Dow Jones Industrial Average	4.03%	14.92%
S&P 500 Index	2.66%	17.88%
Russell 2000 Index	2.19%	12.81%
MSCI World Small Cap ex USA Index	3.50%	34.07%
MSCI World Index	3.12%	21.09%

- ▶ Municipal bonds posted solid results in Q4, though gains were unevenly distributed across the curve and the broader rate backdrop remained unsettled.

DOMESTIC EQUITY MARKETS

- ▶ US equity markets advanced in Q4, capping a third consecutive year of double-digit returns. Robust AI demand, stronger-than-expected corporate earnings results, and monetary easing fueled market gains, offsetting concerns about labor market softening, a weakening consumer, above-target inflation, and AI funding arrangements.
- ▶ Large cap stocks, as measured by the S&P 500, rose 2.7% and modestly outpaced small caps (Russell 2000, +2.2%).
- ▶ Within large caps, Health Care delivered the strongest performance followed by Communication Services and Financials. Real Estate, Utilities, and Consumer Staples lagged. Health Care also led the small cap market, boosted by a resurgence in M&A and lower interest rates.
- ▶ Value outperformed Growth, and leadership within major indices remained highly concentrated. Investors demonstrated a strong preference for low-quality factors within the small cap market.

GLOBAL EQUITY MARKETS

- ▶ Non-US equity markets capped an exceptional 2025 on a positive note with the large cap MSCI World ex USA Index up 5.2% in Q4 and 31.9% for the full year, while the MSCI World Small Cap ex USA Index gained 3.5% in Q4 and 34.1% for the year.
- ▶ The US Dollar Index rose 0.6%, but ended the year down -9.4%, its largest annual decline since 2017.
- ▶ European markets rallied on better-than-expected Q3 earnings, as a weak yen offset strong local currency performance in Japan, and Canada advanced on soaring metal prices.
- ▶ Sector leaders for the quarter included large cap Utilities, Health Care, and Financials and small cap Materials, Energy, and Utilities. Large and small cap Communication Services and small cap Consumer Staples finished lower.

INVESTMENT STRATEGIES

MUNICIPAL BOND

We combine a rigorous, research intensive, credit selection process with active management. Our goal is to take advantage of market inefficiencies and find opportunities across the yield curve to protect and grow principal and income.

TAXABLE BOND

Our multi-sector approach takes advantage of the relative valuation among distinct bond sectors and the increased opportunities to generate income and capital appreciation. We build diversified, yield-advantaged portfolios that generate steady, incremental income and provide downside risk protection.

DOMESTIC EQUITY

We develop a deep understanding of the companies in which we invest through disciplined and intensive fundamental research. Our focus is on finding well-managed, quality companies, that are resilient.

GLOBAL EQUITY

We take advantage of market inefficiencies to find quality growth companies that may be undervalued, underappreciated, or under-researched. Our rigorous, bottom-up process focuses on a company's upside potential and downside risk.



MUNICIPAL BOND STRATEGIES

Municipal bonds posted solid results in the fourth quarter, though gains were unevenly distributed across the curve. The momentum that began with the late third-quarter rally carried over into October, as robust investor appetite easily took down still heavy supply. The market consolidated those gains in November and December as issuance decelerated and demand settled into its usual seasonal pattern. Curve dynamics drove much of the differentiation in returns. Yields inside seven years actually rose for the quarter, while those at the longest end dipped modestly. The strongest segment was the 10- to 15-year area of the curve, which saw rates decline 15-20 basis points, pushing intermediate returns over 5% for the year. Despite the front-half flattening, nearly every portion of the curve finished the year meaningfully steeper than where it began, particularly beyond ten years.

The broader rate backdrop remained unsettled, with Treasury yields moving in different directions across the curve. Short- and intermediate-term rates declined modestly, while longer-dated yields drifted higher. Inflation readings softened over the period, though the results were clouded by shutdown-related distortions. Labor market data sent mixed signals as unemployment edged higher even as job growth remained uneven. Toward the end of the quarter, GDP growth surprised to the upside, highlighting the continued resilience of the economy. The Federal Reserve cut rates twice during the quarter but tempered expectations for future moves, flattening the projected policy path and underscoring the lack of consensus around how restrictive policy remains.

“The municipal bond market enters 2026 with many of the same crosscurrents that defined the second half of 2025.”

For much of 2025, our strategy focused on taking advantage of a favorable yield and curve environment by shifting from shorter-term structures into longer maturities with better prospects from carry, yield, and roll. Those trades paid off in the third and fourth quarters, particularly as intermediate yields declined and the belly of the curve flattened substantially. Following the fall rally, we were comfortable with our duration and curve exposure and shifted our focus away from further positioning changes. With new issue supply continuing at a record pace, our attention turned to exploiting relative value in the primary market, including an outsized number of “mega-deals” over \$1 billion that required steep concessions to clear the market. In that environment, we were being well compensated to provide liquidity. We sold tighter-trading bonds and redeployed proceeds into these new issues, with the expectation that spreads would tighten back to normal as the market absorbed the excess supply.

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MUNICIPAL INVESTMENT
PROFESSIONALS

22

AVERAGE YEARS
EXPERIENCE

INVESTMENT TEAM

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Kara M. South, CFA	Partner, Portfolio Manager
Martin R. Tourigny, CFA	Partner, Portfolio Manager

GW&K MUNICIPAL BOND STRATEGIES

SHORT-TERM MUNICIPAL BOND

2-8 YEAR ACTIVE MUNICIPAL BOND

2-8 YEAR ACTIVE MUNICIPAL BOND ESG

MUNICIPAL BOND

MUNICIPAL BOND ESG

MUNICIPAL BOND PLUS

MUNICIPAL ENHANCED YIELD

The municipal bond market enters 2026 with many of the same crosscurrents that defined the second half of 2025. Supply is expected to remain elevated as issuers continue to address deferred capital needs and higher project costs, while broader rate direction remains in flux. Investors are balancing expectations for further policy easing against lingering questions around growth, inflation, and fiscal policy. Despite those uncertainties, demand for tax-exempt bonds remains well supported by attractive tax-equivalent yields and solid trailing performance, a combination that usually provides a powerful tailwind in a retail-driven asset class. Credit conditions also remain constructive, even as revenue growth normalizes from the unusually strong post-pandemic period. Taken together, a shifting rate environment, heavy supply, and solid underlying fundamentals should continue to create opportunities for active managers to add value through security selection and relative value trading in the year ahead.

TAXABLE BOND STRATEGIES

The quarter began with a federal government shutdown, the longest in US history, creating a lack of official data releases and reducing visibility around the Federal Reserve’s willingness to lower rates. Despite this uncertainty, the market looked to other available data sources to reinforce a view that a weakening jobs market overshadowed stubbornly high, but moderating inflation. Ultimately, the Fed delivered on their second and third consecutive cuts, stressing their priority to manage near-term labor market risks while striking a less hawkish policy path than feared. The third quarter earnings season broadly exceeded expectations, delivering the fourth consecutive quarter of double-digit growth, painting the picture of an economy that remains resilient. A backdrop of an accommodative Fed, strong corporate fundamentals, and the lowest rate volatility in four years, allowed front-end Treasury rates to edge lower while boosting most risk markets.

The Bloomberg Aggregate Bond Index returned 1.1% for the quarter, capping off the best annual return since 2020 at 7.3%. The Securitized sector led the way with Agency Fixed Rate MBS spreads outperforming, benefiting from the reduced volatility in rates markets. Investment grade corporates managed to produce positive excess returns by offsetting modest spread widening with their additional carry over Treasuries. The Treasury curve continued to steepen, led by lower front-end rates with the 2- and 5-year declining 13 and 2 basis points, respectively, while 10- and 30-year rates were up 2 and 11 basis points. The 2s30s yield curve ended the year at its steepest level as the front end continued to be anchored by accommodative Fed policy while the long end faced investor fears over inflation, fiscal supply concerns, and dollar demand issues.

During the fourth quarter, concerns that idiosyncratic credit losses at lower-quality companies could broaden into systemic issues across loans and private credit contributed to a modest early selloff. Growing questions about returns on AI-infrastructure investments added pressure before risk markets rebounded on renewed rate cut optimism and moderating inflation. Investment grade spreads ended the quarter at 78 OAS, only a few basis points away from multi-decade lows, returning 0.8%. High yield spreads at 266 OAS were essentially unchanged, with CCCs underperforming in a reversal of last quarter’s strong lower-rated performance. Double-B and single-B spreads were slightly tighter, however, driving the High Yield Index to return 1.3%, slightly outperforming the Bloomberg Aggregate Bond Index. Corporate credit spreads continue to reflect limited downside risk amid low recession odds and a benign default outlook. Further, macro conditions remain supportive of investor demand and credit fundamentals, with risks more likely credit-specific than macro-related. However, a significant rise in net issuance next year introduces a new technical uncertainty.

Securitized products delivered strong performance in the fourth quarter, led by the outperformance of the Agency mortgage-backed security (MBS) sector. MBS spreads tightened to multi-year lows as persistently high mortgage rates constrained supply, while

13 TAXABLE INVESTMENT PROFESSIONALS

23 AVERAGE YEARS EXPERIENCE

INVESTMENT TEAM

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Brett Kozlowski, CFA	Principal, Portfolio Manager
Brian P. McArdle, CFA	Vice President, Portfolio Manager

GW&K TAXABLE BOND STRATEGIES

- SHORT-TERM TAXABLE BOND
- INTERMEDIATE TAXABLE BOND
- CORE BOND
- CORE BOND ESG
- ENHANCED CORE BOND
- ENHANCED CORE BOND ESG
- TOTAL RETURN BOND
- CORPORATE BOND OPPORTUNITIES
- SHORT-TERM FOCUSED HIGH INCOME

a steeper yield curve and declining rate volatility boosted demand. Overall, the outlook for securitized markets remains constructive, as the conclusion of quantitative tightening and the Fed’s initiation of reserve management operations in December are supportive of more rangebound rate volatility and sustained demand heading into the new year.

“Despite fears of global conflicts, an explosion of AI-driven debt supply, and markets that have priced much of the good news in, stable and reasonable fixed-income yields look to make this another year where thoughtful active management can find attractive value in corporates and high-grade securitized products.”

As we enter 2026, we are mindful of this administration’s meaningful efforts to further bolster various weaknesses in the economy, both through their actions in the capital markets and fiscal policy. At recent times of crisis, the markets have abided by the rule of “don’t fight the Fed” and looked for supportive monetary policy actions. Now, we’ve added other areas of the government to that support, and it has been evidenced with falling volatility in the capital markets. This backdrop looks to continue to be supportive of credit and securitized markets in the coming year, especially as the growth in technological advancements creates productivity gains and alters financial landscapes. Despite fears of global conflicts, an explosion of AI-driven debt supply, and markets that have priced much of the good news in, stable and reasonable fixed-income yields look to make this another year where thoughtful active management can find attractive value in corporates and high-grade securitized products.

DOMESTIC EQUITY STRATEGIES

While a sluggish December was barely able to extend the market's post-Liberation Day winning streak to eight months, stocks nonetheless posted another solid return for the quarter. Continued economic growth, strong corporate earnings, two Fed rate cuts, and heavy AI spending were the primary drivers of market performance. The S&P 500 gained 2.7% for the quarter, pushing its full-year return to 17.9%. However, only two sectors, Health Care and Communication Services, posted quarterly returns ahead of the Index. Healthcare stocks were particularly strong, driven by gains in several pharmaceutical stocks, especially Eli Lilly on the strength of its GLP-1 franchise. Google parent Alphabet was up strongly on the successful launch of its latest AI model, generating essentially all of the gain in Communication Services.

The Russell 2000 Index rose a respectable 2.2% for the quarter, trailing the S&P 500 by just 50 basis points, and finished the year with a 12.8% gain. While this is its third consecutive double-digit gain, it also represents a record-tying fifth consecutive year of underperformance versus large cap stocks. Only three sectors beat the index return in the quarter, while the Health Care sector was broadly responsible for all of the gain, driven by favorable clinical trial activity, several drug approvals and acquisitions among stocks in the biotech and pharmaceutical industries. Education stocks in the Consumer Discretionary sector were particularly weak on disappointing fundamental news, while the IT sector also declined on weakness by both cryptocurrency and quantum computing stocks. Despite the weakness among these retail-favorite industries, lower-quality style factors including small size, low ROE, and non-earners again outperformed.

Value stocks regained their momentum versus Growth in the quarter, although it was not quite enough to reverse Growth's full-year advantage. Large cap Value was 2.7% ahead of Growth in the quarter, cutting Growth's lead in half to 2.7% for the full year. Among small caps, Value outperformed Growth by 2.2% in the quarter, cutting Growth's lead to only 0.4% for the year.

“Entering 2026, the outlook for the economy and equity markets remains quite solid. Corporate earnings growth, while stalling slightly in the quarter during the government shutdown, now looks poised to accelerate into the new year.”

Entering 2026, the outlook for the economy and equity markets remains quite solid. Corporate earnings growth, while stalling slightly in the quarter during the government shutdown, now looks poised to accelerate into the new year. Consensus Wall Street expectations are for low-teens earnings growth among large cap stocks. Economic growth should be driven by the beneficial impact to both consumers and businesses of the “One Big Beautiful Bill” tax cuts and deductions, regulatory easing, continued broad and aggressive AI spending, and likely two more rate cuts by the Fed. Corporate balance sheets remain healthy, providing ample firepower for share buybacks, dividends, and acquisitions. Personal balance sheets also remain strong, no doubt

14 | EQUITY INVESTMENT
PROFESSIONALS

27 | AVERAGE YEARS
EXPERIENCE

INVESTMENT TEAM

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Jeffrey W. Thibault, CFA	Partner, Portfolio Manager
Jeffrey O. Whitney, CFA	Partner, Portfolio Manager

GW&K DOMESTIC EQUITY STRATEGIES

EQUITY DIVIDEND PLUS

DIVERSIFIED EQUITY

SMALL/MID CAP CORE

SMALL/MID CAP GROWTH

SMALL CAP VALUE

SMALL CAP CORE

SMALL CAP GROWTH

helped by record stock market levels and home price appreciation, providing a continued tailwind for spending and investment. We are nonetheless cognizant of several risks to this outlook, including an imminent decision by the Supreme Court on Trump's tariffs, a softening labor market, the still sluggish manufacturing economy, weak Consumer Sentiment indicators despite resilient spending levels, and rather suspect AI funding arrangements.

Despite the rising market, equity valuation levels have remained steady due to the increased level of earnings. The S&P 500 continues to trade at just under 23x earnings. While the P/E ratio is still high by historical standards, its earnings yield of 4.4% is back to a modest premium to the 10-year Treasury's 4.1% yield. Smaller cap stocks trade at more reasonable valuation levels, and their improving earnings growth rate, likely to exceed that of larger caps, suggests they will be beneficiaries of broader economic growth. We are optimistic that this is setting the table for broader stock market participation and a reversal of the small cap stock underperformance of the past several years.

With our commitment to building high-quality portfolios selling at reasonable valuation levels, we were somewhat pleased to see weakness among the more speculative, retail investor favorite industries in the fourth quarter. As stated last quarter, we have no doubt that many future winners will come from these emerging industries. And indeed, we have placed our bets in several names in these industries. But they must meet our criteria of confidence in management's capabilities and business fundamentals, as well as reasonable equity valuation. This approach should allow us to participate in upside opportunities while still offering downside protection to our clients.

GLOBAL EQUITY STRATEGIES

Global equity markets finished 2025 higher during all four quarters, the first time since 2017, which, incidentally, was the last time non-US markets outperformed the US. The MSCI World ex USA Index gained 5.2% for the quarter, ahead of the MSCI World ex USA Small Cap Index's 3.5% return. For the full year, the MSCI World ex USA Index was up 31.9%, helped by a -9.4% decline in the US Dollar Index. Non-US small cap markets also delivered exceptional 2025 performance with the MSCI World ex USA Small Cap Index up 34.1%. International markets haven't generated this level of outperformance versus the US since 2009, which, maybe less incidentally, marked both the end of the last period of non-US equity outperformance and US dollar weakness.

One data point of non-US outperformance does not make a trend, but one year also does not change the fundamental set-up following the outperformance of US stocks over the prior seven and 15 years. Global markets remain attractive relative to the US on fundamentals with a performance story serving as the base of a new narrative that could drive flows. As discussed a year ago, we believe that 2024 marked the peak in the US equity weights within the global market portfolio. Just as investors may shift their focus from US large caps to small caps, there could be a similar shift from US assets towards Global.

The Trump tariffs are less than a year old, but we are already seeing impacts in global trade flows. Chinese tariffs have, so far, been less severe than initially feared. However, trade diversions are already creating meaningful challenges in the EU, where policymakers are struggling to coordinate an effective response. The Chinese trade surplus recently passed one trillion US dollars, likely leading to additional responses from their trading partners and signaling that domestic consumption remains weak with policy makers unable to figure out an easy solution. We expect the world will continue moving toward two separate economic and, potentially, investment blocs, with the latter likely to be more of an issue for emerging markets than developed.

“By maintaining a long-term focus, exercising patience as others come to recognize the opportunities we see, and benefiting from the embedded upside of economic improvement, we believe we are well positioned.”

With regards to interest rates, Japan will remain the odd country out this year. As most of the world continues to ease, the market expects several more rate increases from the BOJ with a very unclear impact on the currency. Despite the risk of a weakening yen, we continue to find (and prefer) very attractive opportunities in businesses serving Japanese domestic demand. Decades of deflation have clearly ended, with businesses discovering pricing power and the resulting margin growth for the first time in decades.

9 EQUITY INVESTMENT
PROFESSIONALS

26 AVERAGE YEARS
EXPERIENCE

INVESTMENT TEAM

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GW&K GLOBAL EQUITY STRATEGIES

GLOBAL SMALL CAP

INTERNATIONAL SMALL CAP

In addition, potential investment flows back into the Japanese markets from overseas provide an optional upside to domestic, but a risk to foreign, equity prices.

Europe presents bottom-up opportunities amongst macroeconomic risks. Excitement early in 2025 regarding government spending in Germany has shown up in some areas of the economy, such as defense, but concerns on energy policy, China trade policy, and more traditional auto and industrial weakness continues. There have been political and budget headwinds in France and the UK and the continent overall has mostly missed out on the booming AI CapEx seen in the US and Asia. Fortunately, it appears many of these risks were already reflected in market valuations and there remain many attractive businesses operating well despite the environment. The EU periphery is still attractive, and the UK market is rich with companies which seem almost abandoned by its domestic investors. By maintaining a long-term focus, exercising patience as others come to recognize the opportunities we see, and benefiting from the embedded upside of economic improvement, we believe we are well positioned. This past year also saw very strong performance in smaller markets like Israel and Latin America. Both regions are seeing changes that could improve their long-term outlooks.

Several investments areas in which we were initially quite contrarian have been discovered. While we expect to maintain exposure, we will also take profits in positions that have performed particularly well. In the year ahead, we will remain disciplined in our proven process—focusing on well-run, high-quality, growing, and profitable businesses trading at attractive valuations.

Our passion for providing thoughtful and highly disciplined investment strategies, combined with a deep commitment to personal service, results in long-term relationships built on trust. We believe accessibility, a willingness to listen, and a desire to educate can be just as important as investment acumen. With more than 50 years' experience managing assets for individuals and families, we are a partner you can trust.

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