The S&P 500 Index continued to climb in the final quarter of 2025, making this the third consecutive year of double-digit growth. Mixed economic data began to trickle out following the government shutdown in October. While GDP growth surprised on the upside, the job market weakened. The bond market took note of wavering employment and weaker home sales, which also supported the Fed cutting interest rates by 0.25% in December. The AI theme remained strong, yet investors became more selective this quarter as they reflected upon expanding valuations and the durability of lofty AI infrastructure spending.

STRATEGY PERFORMANCE

The top five contributors to performance were concentrated in AI-related or Health Care sector securities. They included Alphabet Inc. (GOOGL), Axsome Therapeutics Inc. (AXSM), Eli Lilly and Company (LLY), Regeneron Pharmaceuticals Inc. (REGN), and Lam Research Corporation (LRCX).

Alphabet's cloud, search, and YouTube ad demand tied to AI workloads and digital advertising resilience drove record revenue, beating estimates. Management emphasized successful monetization of AI Overviews and Gemini features, boosting user engagement without disrupting traditional search revenue. Resilient operating margins reflected disciplined cost management amid ongoing AI investments. Lam Research is a leading semiconductor manufacturer and Lam's precision develops wafer fabrication equipment with advanced technologies for global chip production. The company reported record quarterly revenues, with gross margins exceeding 50% and operating margins reaching a historic 35%, reflecting strong pricing power and operational efficiency. Management highlighted accelerating AI-driven demand as a key growth engine, fueling investments in cutting-edge foundry, logic, and memory technologies. Upgrades in NAND and DRAM memory remained a significant driver, with bit demand trending higher than expected. Lam's innovation leadership in critical processes, advanced packaging, and new product wins positions the company favorably for continued technology transitions.

Axsome is a biopharmaceutical company focused on developing novel therapies for central nervous system (CNS) disorders. Quarterly performance was driven by continued commercial momentum and positive clinical developments. Auvelity, its treatment for major depressive disorders, sustained strong prescription growth and expanding prescriber breadth, while its Sunosi therapy maintained steady performance in narcolepsy. With a strengthening balance sheet and clear path toward profitability, Axsome remains well-positioned to capitalize on significant unmet needs in CNS disorders. Eli Lilly's outperformance was fueled by massive demand for key products Zepbound and Mounjaro, more than doubling revenue. This success led to Lilly capturing market share in the US GLP-1 market for the fifth consecutive quarter. Strategically, the company accelerated innovation in diabetes and obesity treatments, expanded its global manufacturing footprint with new US facilities, and effectively leveraged consumer self-pay channels. Pipeline success included FDA approval for imlunestrant (treatment of breast cancer) and positive Phase 3 data across its diversified R&D portfolio in neuroscience, oncology, and immunology. Lilly's strong market leadership and strategic execution support its positive outlook. Regeneron is a leading biotechnology company that invents, develops, and commercializes medicines including treatment of eye disease, allergic and inflammatory conditions, cancer, and other rare diseases. In Q4 2025, Regeneron's stock surged following Q3 results featuring double-digit sales growth. Investor confidence was bolstered by EYLEA HD (vision loss from diabetes or aging) performance and positive Phase 3 data across six innovative programs.

The five largest detractors were Fiserv Inc. (FISV), Microsoft Corporation (MSFT), AutoZone Inc. (AZO), Uber Technologies Inc. (UBER), and Meta Platforms Inc. (META).

Fiserv detracted from performance in Q4 2025 as shares reacted negatively to a meaningful reset of growth expectations. Management acknowledged structural slowdowns and the need to abandon reliance on short-term revenue tactics that had prioritized immediate results over sustainable client relationships. Competitive gaps and prior deferred investments prompted lowered 2025 guidance. Positively, Fiserv is pivoting toward long-term strength: accelerating AI and platform modernization, building a refreshed leadership team and board, and refocusing on mission-critical software, embedded finance, and recurring value-added services. This client-centric transformation, supported by strong free cash flow and disciplined capital allocation, positions Fiserv for a return to consistent mid-single-digit growth. We view the current valuation as attractive and maintain conviction in its recovery potential. Microsoft shares were weak in Q4 2025 despite strong underlying fundamentals, as investors focused on near-term pressures from massive AI infrastructure investments and capacity constraints. Heavy spending on data centers and GPUs to meet surging demand impacted gross margins, while Azure faces supply limitations through at least fiscal year-end. We believe overall fundamentals remain solid. Microsoft Cloud surpassed $49 billion in revenue, up sharply, with Azure growing nearly 40%. Deepened partnerships and efficiency initiatives position Microsoft to capture expansive AI monetization opportunities. We remain constructive on its cloud and AI leadership.

Uber shares were pressured by investor concerns over long-term competitive threats in autonomous vehicles, particularly a competitor's planned robotaxi network. While Uber is investing heavily in AV partnerships to build a hybrid human-autonomous fleet, management acknowledged that autonomous operations remain unprofitable today and will require substantial near-term capital. We view the current AV-related uncertainty as a known long-term risk already reflected in the valuation, while Uber's core mobility and delivery businesses continued to demonstrate resilient growth and profitability. We remain constructive on the company's multi-year growth potential. AutoZone, a leading retailer and distributor of automotive replacement parts and accessories, serves DIY customers and professional repair shops across the Americas. AutoZone shares reacted negatively to softer profitability despite solid top-line growth. Total sales advanced meaningfully, led by strong 14.5% growth in the domestic commercial segment through better inventory availability, faster delivery, and market share gains. Investments in accelerated store expansion, new distribution centers, supply chain upgrades, and technology enhancements position AutoZone to capitalize on resilient industry demand from an aging vehicle fleet and favorable macro tailwinds. Lastly, Meta's expenses rose sharply from legal charges, higher compensation, and massive infrastructure investments for AI compute capacity, squeezing near-term earnings and free cash flow. Regulatory headwinds intensified in the EU and US and uncertainty surrounds the rollout and impact of new AI models. However, user growth remained strong with over 3.5 billion daily active users across apps. AI advancements boosted recommendation systems, driving engagement and monetization, with AI-powered ad tools exceeding a $60 billion annual run rate. New products like Vibes showed early promise. Meta's aggressive AI push, including automated ad solutions, positions it to lead in content personalization and business expansion.

Top 5 Performance Contributors [a] as of 12/31/2025 Quarter Return (%) (gross of fees)		Bottom 5 Performance Detractors [a] as of 12/31/2025 Quarter Return (%) (gross of fees)	
Axsome Therapeutics Inc (AXSM)	50.4	Fiserv Inc (FISV)	-47.9
Eli Lilly and Company (LLY)	41.1	AutoZone Inc (AZO)	-20.9
Regeneron Pharmaceuticals Inc (REGN)	37.4	Uber Technologies Inc (UBER)	-16.6
Alphabet Inc (GOOGL)	28.8	Meta Platforms Inc (META)	-10.0
Lam Research Corporation (LRCX)	28.0	Microsoft Corporation (MSFT)	-6.5

As measured by contribution to return, the top contributors and bottom detractors represent the best and worst performing securities held by the Strategy based on the position weight and total return of each Strategy holding. Securities are ranked by each position's Individual Performance impact on the Strategy's return for the analysis period. The contributors and detractors are listed in the order of their non-weighted total return.

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STRATEGY ACTIVITY

The Strategy added Analog Devices Inc. (ADI).

Analog Devices is a leading provider of high-performance analog, mixed-signal, and digital signal processing integrated circuits. Long-term secular drivers position Analog for sustained growth. The proliferation of AI, automation, and electrification is fueling demand for Analog's solutions. In industrial markets, trends like robotics, energy management, and high-performance computing are driving double-digit growth. Communications benefit from data center buildouts, where Analog's optical and power products hit a $1 billion run rate, up 50% YoY. Lean inventories, pricing discipline, and operating leverage point to gross margin upside. With record free cash flow and share gains, Analog is well-positioned for growth in 2026.

The Strategy sold Fortinet Inc. (FTNT).

Fortinet is a leading cybersecurity provider, offering integrated platforms for secure networking and AI-driven security operations. Escalating demand for consolidated cybersecurity platforms amid rising threats, AI infrastructure security, and digital transformation are driving long-term growth and position the company as a beneficiary of multi-year trends, yet recent challenges prompted our decision to exit the position. While product revenue has rebounded sharply year-over-year, service revenue growth slowed hampered by subscription timing, higher-than-expected churn, and a fading refresh cycle. Billings are growing, but the narrative is shifting to an environment where Fortinet faces intensifying competition. Guidance implies growth, but with refresh tailwinds waning into 2026 and potential margin moderation from investments, visibility remains limited.

OUTLOOK

A more accommodative Fed, continuing AI growth, and a broadening of the market later in the quarter are supportive of equity and bond market performances. We continue to seek strong relative valuations across sectors with a focus on productivity driven earnings growth. Tariffs and geopolitical concerns add the potential for market volatility in 2026.