Q4 2025

THE ADVOCATE

When Fear, Power, and Division Converge

The Sudden Death of the Dollar? Highly Unlikely

Market Review

Cravens & Company Christmas Cheer Gathering

Cravens & Co.
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Table of Contents

A Note from the Principal

Dear Friends,

As we turn the page into a new year, I find myself thinking less about forecasts and more about footing. Not because markets do not matter, they do, but because the way we process the world often matters just as much. The headlines keep coming, the commentary gets louder, and the pace rarely slows long enough to let perspective catch up.

One of the quiet challenges of our time is sorting noise from signal. We live with a constant stream of information designed to capture attention, reinforce predispositions, and keep us emotionally engaged. That can pull good people into reflex and away from reflection. It can also make complex issues feel binary, and it can make disagreement feel like disloyalty. History suggests that is not a healthy place for any society to live for long.

Our lead article this quarter wrestles with that reality. It addresses the strain that comes when fear and anger run hot, when rhetoric hardens, and when people begin to assume the worst motives in one another. The piece is written with respect for the difficult jobs that must be done in a lawful society, and with respect for the need for rational policy, but also with a sober concern about the ways division can be amplified and normalized. If you read it and feel both unsettled and determined, you are probably reading it the way it was intended.

From an investment standpoint, the same discipline applies. Markets do not reward panic, and they rarely reward certainty seeking. They reward preparation, diversification, patience, and a willingness to act on evidence rather than emotion. That is not blind optimism. It is resilience, rooted in process. Our role as fiduciaries is to keep decision making anchored when the environment is noisy, to separate what we can control from what we cannot, and to remain consistent when consistency is hardest.

As always, thank you for your trust. We do not take it lightly. I hope this issue encourages thoughtful conversation in your family and in your community, and reinforces the steady principles that support both sound citizenship and sound stewardship.

Warm Regards,

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When Fear, Power, and Division Converge

Wayne Cravens

The opening weeks of a new year often invite reflection, perspective, and resolve. This year, however, those instincts arrive alongside a national mood that feels unsettled in ways that are difficult to define, yet impossible to ignore. Across political, cultural, and economic lines, there is a growing sense that something essential is under strain. Trust in institutions. Trust in information. Trust in one another.

That erosion does not stem from a single policy dispute or headline. It comes from something more fundamental. The perception that fear, power, and division are increasingly interacting without sufficient restraint. When that happens, societies do not fracture overnight. They fray slowly, often in ways that only become obvious with time.

Recent public reaction to confrontations between government authorities and civilians, whatever one's interpretations of the facts, has exposed just how fragile public confidence has become. Official statements, witness accounts, and widely circulated video have, in some cases, painted meaningfully different pictures. In moments like these, people are not only debating what happened. They are questioning whether systems can still be trusted to operate fairly, explain themselves clearly, and correct course when necessary.

That concern is not a left versus right issue. It is an institutional legitimacy issue.

A functioning society depends on the rule of law. Immigration policy, like all policy, must be coherent, enforceable, and grounded in reality. Law enforcement officers, federal and local alike, carry an extraordinary burden and assume real personal risk in performing their duties. Respect for that role matters. A society that reflexively undermines those charged with enforcing its laws undermines the law themselves.

At the same time, authority derives its strength not only from mandate, but from legitimacy. When the exercise of power appears opaque, inconsistent, or dismissive of legitimate questions, confidence erodes. When explanation gives way to assertion, and humility gives way to certainty, fear fills the vacuum.

History offers sobering reminders of how quickly that dynamic can spiral. In May of 1970, during a period of deep national division over the Vietnam War, members of the Ohio National Guard opened fire on unarmed student protestors at Kent State University, killing four and wounding nine. At the time, emotions were raw, facts were contested, and rhetoric was extreme across the country. In the decades since, there has emerged near universal agreement that the event represented a profound failure of judgment and restraint, one that permanently damaged public trust in authority.

Kent State endures not because it neatly maps onto modern events, but because it illustrates a broader and timeless principle. When fear is amplified, when authority is exercised amid confusion, and when accountability trails action, irreversible harm can follow. That lesson transcends politics. It is not an argument against authority. It is a reminder of the care authority requires.

The civil rights era left similar lessons. Order and justice were often framed as opposing forces, when in truth they depend on one another. Force deployed without legitimacy weakens both. Dialogue abandoned in favor of domination leaves scars that last far longer than any single confrontation.

Today's environment differs in important ways. We are not navigating a single defining conflict, but a constant stream of overlapping pressures. Geopolitical instability. Economic uncertainty. Rapid technological change. Immigration challenges that resist simple solutions. All of this unfolds within a media ecosystem and political culture that reward speed, outrage, and certainty over context and restraint.

Leadership, in both parties, too often contributes to this dynamic rather than calming it. Complex issues are reduced to slogans. Legitimate concerns are dismissed rather than engaged. Good faith disagreement is portrayed as moral failure. News coverage gravitates toward the most extreme interpretations, while algorithms quietly ensure that many of us see only what reinforces our existing views.

In such an environment, fear spreads faster than facts, and anger often arrives before understanding.

This reality places a heightened responsibility on institutions. Authority must be clearly identifiable. The use of force must be proportionate to an imminent threat. Investigations must be independent, credible, and transparent enough to restore confidence rather than deepen suspicion. These are not political demands. They are the minimum standards required to preserve legitimacy in a free society.

Restraint, however, is not solely an institutional obligation. Citizens, commentators, and leaders share responsibility as well. When every incident becomes proof of total corruption or total innocence, conversation collapses. When disagreement hardens into contempt, division accelerates. The result is a cycle in which fear justifies escalation, escalation fuels outrage, and outrage further erodes trust.

From an investment perspective this pattern is familiar. Markets, like societies, become unstable when emotion overwhelms discipline. Short term reactions often feel righteous in the moment, yet prove costly over time. Long term success, whether in capital markets or civic life, depends on process, perspective, and the willingness to resist impulse.

Unity does not require uniformity. A healthy society does not demand agreement on every policy question, but it does require shared standards. We can support secure borders and humane enforcement. We can respect law enforcement while insisting on accountability. We can value order without abandoning transparency. These positions are not contradictory. They are complementary.

For those of us tasked with stewardship, whether of capital, institutions, or families, this distinction matters. A fiduciary mindset does not chase emotion or headlines. It prioritizes durability over drama. It asks not only what feels right in the moment, but what preserves trust, stability, and opportunity over time.

That mindset is increasingly rare, yet increasingly necessary.

History teaches that societies are often judged less by how they respond to calm than by how they behave under stress. The lesson from Kent State and other moments of national fracture is not that authority is inherently suspect, nor that dissent is inherently dangerous. Is is that fear, when paired with power and stripped of accountability, can produce outcomes no one intends and everyone regrets.

The path forward is neither denial or outrage. It is steadiness. It is insisting on process without presuming outcomes. It is demanding accountability without surrendering to demonization. And it is recognizing that rhetoric, whether political, media driven, or algorithmically amplified, carries real consequences.

As we begin 2026, the challenge before us is not simply to navigate uncertainty, but to do so without sacrificing the principles that allow a diverse society to function. Markets, institutions, and communities all depend on the sam e quiet virtue.

Restraint, especially when restraint feels hardest.

That virtue has never been more valuable.

The Sudden Death of the Dollar? Highly Unlikely

Wayne Cravens

Mark Twain once said "The report of my death was an exaggeration. The report of my poverty is harder to deal with." If you read the financial headlines long enough, you will eventually find the most dramatic version of the dollar narrative: that the dollar is quickly losing its role as the world's reserve currency, and the ramifications are catastrophic. Of course, nothing is impossible. But, it is simply worth understanding what it would actually take, and why it would almost certainly unfold over real time, not over a weekend.

Reserve currency status is less like a crown and more like infrastructure. The dollar sits at the center of an operating system that has been built over decades. Global trade is invoiced in dollars. Commodities are largely priced in dollars. Banks and corporations borrow and lend in dollars. Investors post dollar collateral. Central banks hold dollars because they can deploy them quickly and in size. Even countries that would prefer a different system often keep using the dollar because it is liquid, universally accepted, and, currently, almost impossible to replace at scale.

That is why big shifts tend to be slow. Network effects are powerful. The larger the system, the more valuable it is to stay connected to it. To replace the dollar in a meaningful way, an alternative would need deep and open capital markets, legal protections that global investors trust, transparent pricing, and the willingness to let money move freely across borders. Those are not technical details. They are the foundation.

History supports the idea that currency leadership changes in chapters, not scenes.

The British pound did not lose its global role in a single event. The shift toward the U.S. dollar took years and was shaped by wars, debt burdens, industrial strength, and the growth of U.S. financial markets. Even after the United States became the dominant economy, the world still needed time to rewire trade and finance.

The modern dollar has been tested before. The end of Bretton Woods Accord in the early 1970s was a major regime change. The inflationary decade that followed was a serious credibility challenge. The dollar has since experienced long cycles of strength and weakness. Yet the global system continued to run through the dollar's plumbing because no other option combined the same depth, liquidity, and investable scale.

A more realistic risk, at least in the near and medium term, is not a sudden loss of reserve status. It is gradual diversification at the margins. If foreign institutions choose to hold a little less in dollars, or hedge a little more, that can matter when debt issuance is heavy and the bond market is sensitive. This is not a crisis script. It is a reminder that small shifts in marginal demand can influence long term rates and volatility.

So what do we do with this as investors? Not panic. We prepare intelligently.

A world where the dollar's dominance erodes slowly is one where international exposure can matter more than it has in recent years. That does not mean abandoning U.S. assets. It means being deliberate about balance. High quality international companies can provide revenue streams tied to other currencies and different economic cycles. In fixed income, we can stay thoughtful about duration, inflation sensitivity, and whether selective non dollar exposure is compensated and properly managed. The goal is optionality, not a dramatic bet.

We do not need to forecast the dollar to build resilient portfolios. If the dollar remains dominant, global diversification still makes sense. If the world becomes more multipolar over time, that same diversification can be an advantage. Either way, the right posture is perspective, discipline, and a portfolio built for more than one outcome.

Market Review

Caleb Rouse

U.S. equity markets closed the fourth quarter on solid footing, with the S&P 500 rising 2.7% in Q4 and finishing the year up 17.9%. The Nasdaq also gained 2.7% in the quarter and ended 2025 up 21.1%. Gains continued to be powered by strong corporate earnings, especially in technology and communication services sectors. Enthusiasm for artificial intelligence, cloud computing, and productivity-enhancing technologies supported large-cap, growth-oriented companies. Returns remained highly concentrated, with a relatively small number of mega-cap stocks driving a disproportionate share of index performance. International equities meaningfully outperformed U.S. markets for the first time in several years. Developed markets gained 4.9% in the quarter and delivered a strong 31.2% return for the year, while emerging markets rose 4.7% in the quarter and 33.6% for the year. A weaker U.S. dollar, down 9.4% in 2025, provided a notable tailwind for foreign assets.

For the full year, large-cap growth stocks significantly outperformed value (18.6% vs. 15.9%), while small caps delivered more modest gains, ending the year up 12.8%.

International equities meaningfully outperformed U.S. markets in 2025 for the first time in several years. Developed-market equities rose 4.9% in the fourth quarter and delivered an impressive 31.2% return for the year. Emerging markets gained 4.7% in Q4 and finished the year up 33.6%. A substantial weakening of the U.S. dollar—down 9.4% over the year—provided a powerful tailwind for foreign assets denominated in other currencies.

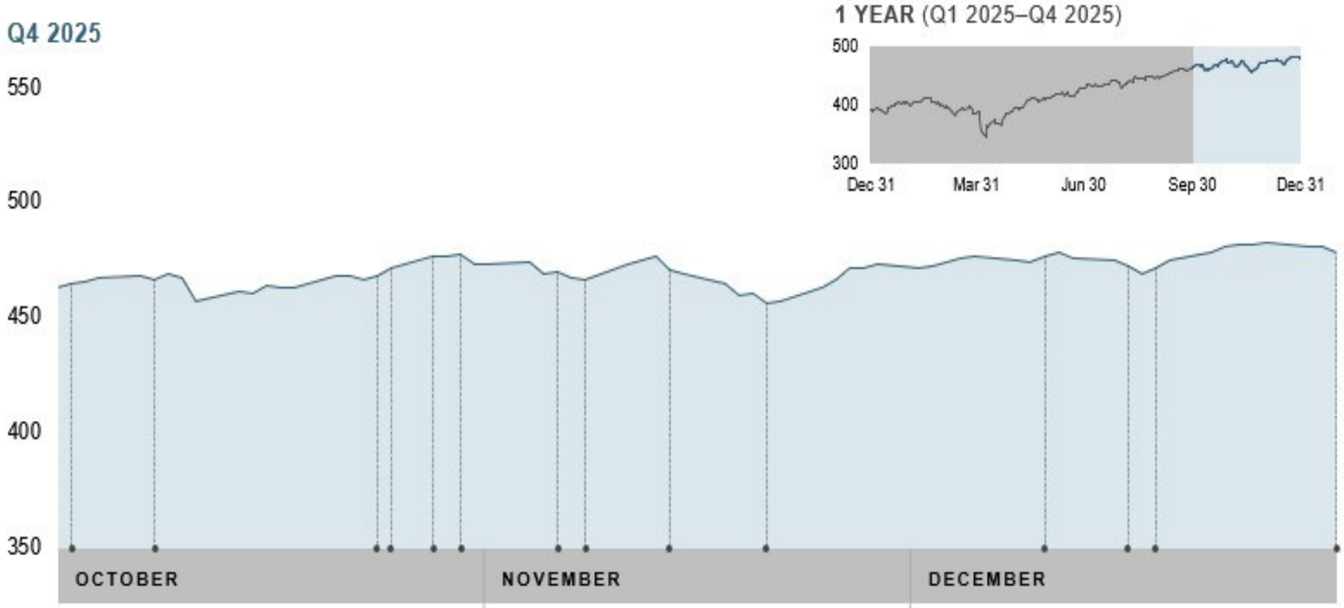
In fixed income, the Federal Reserve cut the federal funds rate by 25 basis points in December, bringing the target range to 3.5%–3.75%. Bond returns were positive across most segments, with core bonds advancing 1.1% in the fourth quarter and posting their strongest full-year performance since 2020.

Investment Outlook and Portfolio Positioning

At the beginning of 2025, investor expectations were relatively modest, with many forecasters projecting U.S. equity returns in the vicinity of 8%, roughly in line with expected earnings growth. Actual results significantly exceeded those projections. As we enter 2026, consensus forecasts have once again settled around 8% expected returns for the S&P 500, though estimates range widely. Most strategists anticipate price returns in the mid-single to low-double digits, supported by continued earnings growth in the low-double-digit range, partially offset by modest valuation compression.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2025



OCTOBER

10/01 "Government Shutdown Begins as Funding Lapses"

10/07 "Gold Prices Top $4,000 for First Time"

10/23 "US Imposes Substantial New Sanctions on Russian Oil Giants"

10/24 "Inflation Edges Up, But Less Than Expected, to 3% Rate"

10/26 "Trump Reaches Trade Pacts With Southeast Asian Nations"

10/29 "Future Fed Rate Cuts 'Far' From Certain After Divided Meeting"

10/29 "Trump, South Korea Reach Terms on Trade Deal"

10/29 "Nvidia Becomes First $5 Trillion Company"

NOVEMBER

11/05 "Democrats Dent Trump's Coalition With Three Big Election Victories"

11/07 "Consumer Sentiment Falls Toward Record-Low Levels"

11/07 "Nasdaq Has Its Worst Week Since April"

11/13 "Trump Signs Spending Bill, Ending Longest Shutdown in US History"

11/20 "Hiring Defied Expectations in September, With 119,000 New Jobs"

DECEMBER

12/10 "Fed Cuts Rates Again, Signals It May Be Done for Now"

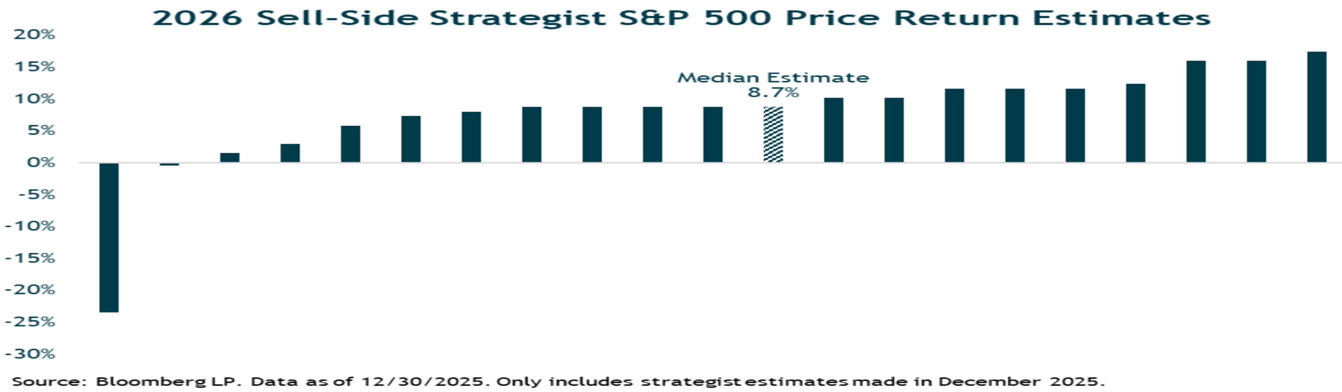
12/16 "US Unemployment Rose in November Despite Job Gains"

12/18 "Inflation Eased to 2.7% in Report Distorted by Government Shutdown"

12/31 "Stock Markets Close Out a Record-Setting Year"

These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2026, all rights reserved. Index level based at 100 starting January 2000.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio.
Past performance is not a guarantee of future results.



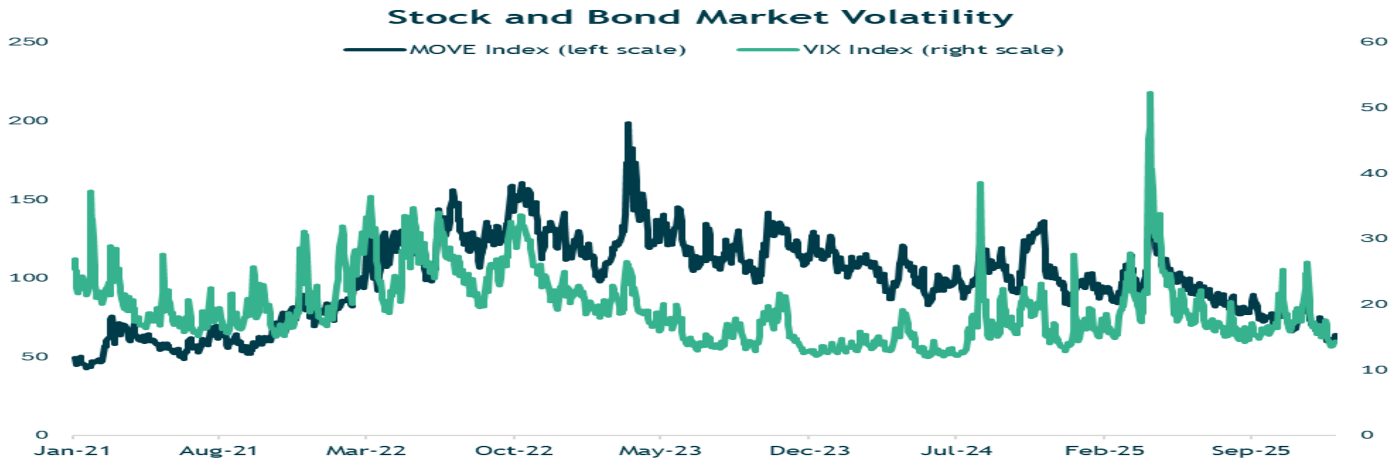
Equity valuations remain elevated heading into the new year. The S&P 500 trades near 23× forward earnings—well above its long-term average of approximately 15.6×. This reflects investors' willingness to pay a premium for expected growth, underpinned by optimism about economic resilience and another year of solid corporate earnings. While high valuations do not necessarily signal an imminent downturn, they typically constrain longer-term returns. Historically, periods starting from similar valuation levels have been followed by below-average real returns over the subsequent decade (though the sample size is limited). In the shorter term, elevated multiples increase market sensitivity to earnings shortfalls or shifts in sentiment.

Investor confidence has improved considerably since the tariff-related uncertainty in April. Market volatility has declined meaningfully in both equities (VIX) and bonds (MOVE Index), returning to levels historically associated with calmer, more optimistic conditions. Lower volatility reflects reduced anxiety around trade policy, Fed actions, and broader economic risks, supporting business and investment decisions.

That said, low-volatility environments can make attractive valuations harder to find and leave markets more vulnerable to negative surprises. Looking forward, current valuation levels suggest that returns will depend more on sustained earnings power and cash-flow generation than on further multiple expansion. Importantly, much of today's technology-driven earnings growth is supported by tangible, multi-year capital investment rather than financial leverage—distinguishing the current cycle from prior valuation peaks. Elevated spending in artificial intelligence, energy infrastructure, and other productivity-enhancing areas reflects structural responses to demographic pressures and persistent labor scarcity. While cyclical risks remain, these longer-term investment trends may help sustain growth and reduce the probability of a conventional recession.

In this environment, elevated valuations reinforce the need for selectivity, diversification, and emphasis on companies with durable earnings, strong competitive positions, and solid balance sheets.

The pattern of international outperformance in 2025 echoed 2017—President Trump's first full year in his initial term. European equities returned 35.4% in U.S. dollar terms, while emerging-markets equities gained 33.6%. Much of the outperformance, particularly in Europe, occurred early in the year and was heavily influenced by U.S. dollar depreciation. The ICE U.S. Dollar Index fell nearly 10% in 2025. MSCI Europe returned only about 20.6% in local currency—modestly better than U.S. large caps—but currency translation boosted the dollar return significantly. European earnings in local currency were essentially flat, meaning valuation expansion and the weaker dollar were the primary drivers. In contrast, emerging-market returns were more fundamentally driven,



Source: Bloomberg LP. Data as of 12/31/2025.

with earnings growth accounting for most of the strong performance.

The Federal Reserve cut rates three times in 2025. Current FOMC projections point to two additional cuts in 2026. Given resilient year-end economic data, rapid or aggressive easing appears unlikely, at least early in the year. Market pricing currently reflects about 2.25 cuts, which would bring the fed funds rate near 3%. Expectations reflect caution about inflation remaining above the 2% target while acknowledging a softening labor market. A modest rate-cutting path should remain supportive for both equities and bonds, though a return to near-zero interest rates is improbable

With Fed Chair Jerome Powell's term ending in May 2026, some investors are concerned that the Federal Reserve could become more politicized, potentially facing pressure to lower short-term rates more aggressively. Such a shift could contribute to higher inflation, rising long-term yields, and increased bond-market volatility.

Current bond yields offer significantly better income potential than in recent years. The 10-year Treasury yield ended the year around 4.18%, providing attractive carry and portfolio diversification benefits. Investment-grade corporate credit continues to exhibit strong fundamentals, but tight spreads limit upside from further compression. High-yield spreads are also narrow, reflecting confidence in the economic outlook and corporate balance sheets, though they leave less margin of safety if growth slows or defaults rise (a scenario we do not view as imminent). As in equities, high valuations in fixed income argue for selectivity.

Our base case anticipates a steeper yield curve in 2026, driven primarily by front-end rates moving lower while longer-term yields remain relatively stable (with periodic volatility).

Closing Thoughts

2026 outlook: We remain constructive. Expect 2.0–3.0% real GDP growth, driven by solid consumer spending, infrastructure, energy, and productivity/AI investment. The macro environment looks balanced — not hot enough for major tightening, not weak enough to seriously hurt earnings.

Traditional recession signals (inverted curve, soft leading indicators, rising unemployment) have been unreliable this cycle, likely due to labor shortages, demographics, and sustained capital spending.

Bottom line: Prioritize flexibility, broad diversification, and strong company fundamentals over rigid historical patterns.

Wishing you a healthy and prosperous 2026 — thank you for your trust!

Cravens & Company Christmas Cheer Gathering

Taylor Stafford

On December 18th, Cravens & Company welcomed clients, their families, and friends for our annual Christmas party, held after hours on the second floor of SmartBank—home to our Cravens & Company office. With a wonderful turnout of clients, families, and friends, the evening was a chance to slow down, connect, and celebrate the season together in a relaxed yet elegant setting.

The atmosphere was warm, classy, and truly enjoyable, allowing guests to mingle comfortably while sharing conversation and laughter. The event reflected the heart of Cravens & Company—relationships built on trust, community, and genuine connection.

Guests were treated to an exceptional selection of hors d'oeuvres prepared by Diego Alvarez. The menu featured a beautifully arranged charcuterie board, a smoked salmon platter, and goat cheese–stuffed dates. Passed appetizers included sushi, savory cannolis, and flaky puff pastries, all of which were enjoyed throughout the evening and added to the elevated experience.

With families and clients gathered together, the night felt both festive and meaningful. It was a chance to step away from the busyness of the year, reflect on shared successes, and simply enjoy one another's company.

We are grateful to everyone who joined us and helped make the evening such a memorable celebration. Events like these remind us how fortunate we are to work with such a wonderful community, and we look forward to continuing these traditions in the year ahead.

Your Financial Advocate

You have goals you want to achieve… places you hope to go… things you want to do… people you desire to spend time with.

These dreams have motivated you over the years to work hard and to sacrifice.

Fully realizing your dreams also takes planning and execution to get them "over the top".

Whether you aspire to…

...travel the world with your spouse…

…spend more time on hobbies like flying, cooking, or wine collecting…

...live on a ranch in the country or a cabin in the mountains…

...create a legacy for your children and grandchildren…

...support the charities and causes that you hold dear...

We can help you create and execute a comprehensive plan for financial success. One that will give you the confidence to spend your free time on the other things that are important to you.

At Cravens & Company Advisors, our mission is to help successful individuals and their families realize and enjoy their life goals. We are an SEC-Registered Investment Advisor that combines holistic planning, personalized investment management, tax and estate strategies, and business planning with a proactive, solutions-oriented mindset. The result is a fiduciary with a plan and a culture centered on your success; however you define it.

Since 1996, we have been serving the specialized needs of family businesses and their owners, professionals, and successful retirees. While prudent investment advice is a foundational component of our service, we believe developing an intimate understanding of your overall financial situation and goals is essential to formulating your strategy. Our holistic approach enables the development of solutions with the highest possibility for success. Because goals cannot be measured by return, we benchmark our progress as a firm in the same way you do as our client; by successful outcomes.

As we discuss your situation, goals, and concerns; we hope you will recognize the benefits that come with our independence and objectivity. As your fiduciary, we are held to the highest standard of transparency, objectivity, and disclosure. Simply put, we have not only an ethical but also a legal requirement to always act in your best interest.

Our goal is to provide each client with the leadership, relationship, and creativity needed to allow them to achieve their life's goals and, even more importantly, the confidence to enjoy the journey. After all, what is the point of all the work and worry if you do not get the satisfaction of realizing the results?

At Cravens & Company, we have a team that is by design, ready to work for you. If you have complex financial issues and/or desire a relationship of this type, please contact us to arrange an introductory meeting. We can be reached at 931-528-6865 or by email at info@cravensco.com.

Cravens &Co.

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WEALTH MANAGEMENT