

Q3 2025 REVIEW AND OUTLOOK

Broad Market Indices	INDEX LEVEL	3Q 2025 RETURN (%)	YTD 2025 RETURN (%)
S&P 500® Index	6,688	8.12	14.83
Dow Jones Industrial Average	46,398	5.67	10.47
NASDAQ Composite Index	22,660	11.41	17.93
Russell 2000® Index	2,436	12.39	10.39
MSCI ACWI ex US Index	543	6.89	26.02
Barclays U.S. Aggregate Bond Index	94	2.03	6.13
VIX Volatility Index	16	-2.69	-6.17
Baltic Dry Index – Spot (Ocean Cargo Shipping Rate)	2,134	43.32	114.04
Gold (\$ per ounce) – NY Spot	3,841	16.82	48.08
Oil (\$ per barrel – West Texas intermediate)	62	-5.93	-13.90
Bitcoin (\$)	113,978	6.35	22.13

U.S. Treasury Yields	9/30/2025	6/30/2025	Change over Quarter
3-Month	3.94	4.29	(0.35)
2-Year	3.61	3.71	(0.10)
10-Year	4.15	4.23	(0.08)

Source: FactSet Research Systems, Inc.

The little economy that could. “I think I can, I think I can,” was the mantra of the hardworking locomotive in the classic children’s book, *The Little Engine That Could*. In much the same way, the global economy continues to chug along, pushing ahead despite geopolitical uncertainties, frequent shifts in trade policy, and the evolving tariff regime.

Small-cap stocks join the party in Q3. For the first time in over three and a half years, the Russell 2000® Index reached a new high, finally mirroring the highs achieved by the S&P 500® and NASDAQ Composite indexes. We view this milestone as a pivotal signal that a new small-cap cycle is underway. Our conviction is building that small-cap equities are poised not only to recover lost ground but also to deliver a sustained period of outperformance versus large-caps. In the first half of the year, the Russell 2000® lagged the S&P 500® by 8%, but since then has outperformed by 4.4% through September 30, 2025.

Feeling the breeze of tailwinds. On September 17, the Federal Reserve’s Open Market Committee voted to lower interest rates by 0.25% to a range of 4%-4.25%. While the Fed continues to note that inflation “remains somewhat elevated,” recent softening jobs numbers strengthened the case not only for this most recent cut but also for the potential of two additional cuts by the end of 2025.

This monetary policy move added to the impact of fiscal policy (taxes and government spending) in the form of the One Big Beautiful Bill (OBBB) passed in July. The business-friendly tax features of OBBB, particularly returning depreciation of capital expenditures to 100% from 60% retroactive to January 1, 2025, provide a significant boost to corporate financials, freeing up capital for investment, debt reduction, buybacks, acquisitions, and more. While the effect of such policy changes takes time to work through the economy, we believe we will begin to see increased evidence of their impact in the upcoming earnings season.

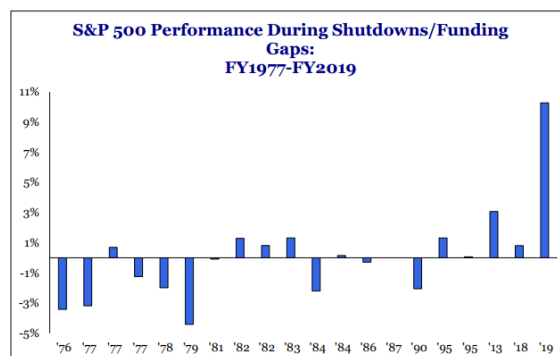
A global economy with a growth mindset. The U.S. is not alone in its path towards a pro-growth fiscal stance and more accommodative monetary policy. As Japan moves towards the possible selection of Sanae Takaichi as its first female leader in the modern era, the country continues to embrace an approach that seeks to grow Japan out of its economic challenges, further distancing itself from the austerity-based solutions of the past.

Commodities, too, reflect this global shift as growth-focused policies underpin stronger commodity demand trends. The elevated inflation (even modest) that tends to accompany such policy supports commodities like gold, copper, and bitcoin as industrial and inflation hedges. In the third quarter alone, gold set multiple all-time highs and returned 48% for the year-to-date period.

Government \$shutdown economics. The standoff between Congressional Republicans and Democrats pushed the U.S. into a government shutdown yet again on October 1. While clearly disruptive, historically these lockups of Federal government operations have done surprisingly little damage to the country's economy in the near-term – and even less damage in the longer run.

Despite the posturing and jockeying on Capitol Hill, shutdowns have not had a substantial impact on GDP growth, with positive movements during the last six shutdowns. The S&P 500® has also been positive during that same timeframe. Still, a resolution will help improve sentiment and provide some clarity on some budgetary issues moving forward.

S&P 500 HAS BEEN POSITIVE DURING THE LAST SIX GOVERNMENT SHUTDOWNS



Source: Strategas Research Partners. As of September 9, 2025.

Banks and the velocity of money. It is unusual to have bank stocks near or at all-time highs while interest rates are being lowered since lower rates are usually prompted by negative catalysts the Fed is trying to address. Bank stocks are reacting to numerous favorable factors including a softening bank regulatory environment and a more deal-friendly M&A landscape. We expect IPO traffic to pick up as well. In addition, a steepening of the yield curve improves bank net interest margin (NIM) and profitability. Overall, this fuels the increased velocity of money – greater transactional volume, more movement, and overall financial activity.

Our outlook. An economy that's slowing but not slow is a tide now lifting more boats. We believe the growth-oriented policy approach of the U.S. and other developed countries will continue to feed this trend. The slightly deferred benefits of U.S. tax policy should make their presence known in 2026 earnings. Tariff policy continues to be a fly in the ointment, but one markets are learning to live with. While overall tariff levels have been lowered from their original shock-and-awe level, dealmaking country by country and sector by sector poses a challenge for forecasting.

Recent rate cuts are beginning to lower mortgage rates, which have declined from recent highs, an environment that is expected to benefit rate-sensitive sectors such as home improvement and, of course, banks. The AI story continues to evolve with large technology companies driving investment in data centers and infrastructure. In addition to the direct economic impact of this robust capital expenditure, AI is expected to eventually benefit mid- and small-cap companies as AI adoption broadens commercially-- a bit of a tailwind in the waiting.

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The S&P 500® Index is an unmanaged index that is widely recognized as an indicator of general market performance, based on the market capitalizations of 500 large companies having common stocks listed on the NYSE or NASDAQ. The S&P 500® Index does not have a defined investment objective, nor does it charge fees and expenses.

The Dow Jones Industrial Average (The Dow), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock market.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. It consists of approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2025. FTSE Russell is a trading name of certain of the LSE Group companies. Russell 2000® is a trade mark of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group Company which owns the index or data. Neither the LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

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VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500® Index options.

The Bloomberg Barclays U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities.

The Baltic Dry Index (BDI), is issued daily by the London-based Baltic Exchange. The BDI is a composite of the Capesize, Panamax, and Supramax Timecharter Averages. It is reported around the world as a proxy for dry bulk shipping stocks, as well as a general shipping market bellwether.

West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing and is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.

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