

QUARTERLY MARKET COMMENT

Third Quarter 2025



Major stock indices continued the 2025 rally and surged to new all-time highs in the third quarter (3Q) as economic growth remained stable, tariff increases were no worse than feared, and the Federal Reserve cut interest rates, beginning the long-awaited rate-cutting cycle.

As noted in the table below, small caps outperformed large caps for the first time in 2025 as investors rotated out of large-cap stocks and into more economically sensitive small caps. Historically, small caps benefit the most when interest rates fall, providing lower borrowing costs. From an investment style standpoint, Growth continued to edge out Value in the 3Q. On a sector level, 10 of the 11 S&P 500 sectors finished the 3Q with a positive return. Tech and tech-aligned sectors (consumer discretionary and communications services) comfortably outperformed other market sectors and posted strong quarterly returns. Positive earnings results continued from AI-linked tech stocks such as Microsoft, Alphabet, Amazon, Nvidia, Oracle, Broadcom, and others.

Internationally, foreign markets also experienced positive performance with emerging markets outpacing foreign developed and the U.S. stock markets. This was due to a weaker dollar, falling interest rates, and a rebound in Chinese economic growth. Foreign developed markets returns were positive, but lagged due in part to concerns about fiscal stress and slow growth in the United Kingdom. Commodities were solidly higher in aggregate in the third quarter, but that result somewhat masked mixed internal performance. Gold surged to fresh all-time highs due to elevated inflation and the weaker U.S. dollar. Oil, however, declined as increased production from OPEC+ and concerns about global economic growth weighed on oil prices.

On balance, fixed-income markets experienced positive returns in 3Q. Investment-grade bonds (higher quality) slightly outperformed high-yield bonds (lower quality) as the weakening labor market and slight uptick in economic concerns boosted the attractiveness of higher credit quality corporate bonds.

Markets began the 4th quarter of 2025 displaying surface strength. The Fed resumed cutting interest rates, tariffs have not disrupted the U.S. economy (so far), enthusiasm for AI-linked tech stocks remains high. This may be masking deteriorating fundamentals below the surface.

Markets don't go up forever, and we know there will come a time when lofty prices need to adjust back to their underlying values. We remain focused on both opportunities and risks in the markets with a diversified approach to meet your long-term investment goals. Therefore, it's critical to stay invested and stick to the plan we've worked with you to establish. We appreciate and value the trust you have placed in us to help guide you through your financial life. Please let us know if you have any questions or concerns.

Asset Index Category	3Q 2025 %	YTD 2025 %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	7.79	13.72	14.74	13.29
S&P 400 Index-Mid-size Companies	5.18	4.57	11.89	9.08
Russell 2000 Index-Sm Companies	12.02	9.25	10.08	8.27
US Real Estate Funds	2.62	3.20	6.86	5.67
Gold	16.40	44.78	14.39	12.15
US Commodities	5.35	11.02	13.22	5.13
Global Real Estate Funds	3.48	11.78	5.00	4.25
MSCI EAFE-Developed International	4.23	22.34	8.32	5.34
MSCI EM Index-Emerging Markets	10.08	25.16	4.46	5.45
Barclays US Aggregate Bond Index	2.03	6.13	-0.45	1.84
Long US Government Bond Index	1.47	2.57	-10.61	-3.12
Emerging Market Bond Index	3.88	12.26	2.83	3.81

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