

Quarterly Client Letter

October 6, 2025

Please find enclosed your Quarterly Report and Billing Statement for the period ending September 30, 2025.

The third quarter of 2025 saw a continued strong market rebound from early-year volatility, with major indices reaching new record highs despite economic uncertainties, elevated inflation, and geopolitical issues. Stocks of all varieties performed well, adding to year-to-date gains. Again, it's encouraging that not all gains have come from large US technology companies and their continued investment and progress in Artificial Intelligence (AI). US small caps and foreign stocks have enjoyed equal or larger gains as well.

Bonds also rose nicely during the quarter as yields fell in anticipation of Federal Reserve rate cuts. Commodities also posted gains, mostly from rising gold and silver prices.

In short, it was a good quarter and year-to-date across most asset classes, which is impressive given the backdrop of tariffs and trade wars, rising geopolitical tensions, inflation, policy uncertainty, social unrest, cracks in the labor market, soft housing data, and a government shutdown.

The Global Markets Summary shows additional detail on how various markets have performed.

Global Markets Summary

September 30, 2025

Index	3Q	YTD	1 Year	3 Years	5 Years	10 Years
US Large Cap Stocks <i>S&P500</i>	8.1%	14.8%	17.6%	24.9%	16.5%	15.3%
US Small Cap Stocks <i>Russell 2000</i>	12.4%	10.4%	10.8%	15.2%	11.6%	9.8%
Foreign Developed Stocks <i>MSCI EAFE</i>	4.8%	25.1%	15.0%	21.7%	11.2%	8.2%
Emerging Market Stocks <i>MSCI Emerging Markets</i>	10.6%	27.5%	17.3%	18.2%	7.0%	8.0%
Investment Grade Bonds <i>Bloomberg US Aggregate</i>	2.0%	6.1%	2.9%	4.9%	-0.5%	1.8%
High Yield Bonds <i>BofA Merrill Lynch US High Yield, Master II</i>	2.4%	7.1%	7.2%	11.0%	5.5%	6.1%
Municipal Bonds <i>Bloomberg Muni Bond: 5 Year</i>	2.2%	4.5%	3.4%	4.4%	1.1%	1.9%
Commodities <i>Bloomberg Commodity</i>	3.7%	9.4%	8.9%	2.8%	11.5%	4.0%
Cash <i>FTSE 3 Month T-Bill</i>	1.1%	3.3%	4.6%	5.0%	3.1%	2.1%

What's happening in the economy and markets?

As mentioned on the previous page, there is no shortage of issues facing investors as we head into end of 2025. While corporate earnings have been supportive with upside surprises, this is likely to normalize, though stimulus from the recent tax bill could provide continued support into 2026.

The Fed is expected to make more rate cuts this year and into next. The unusual part of this rate-cutting cycle is that it's not happening during a period of market stress, leaving us with less historical reference for what to expect. What is encouraging is that rate cuts over the last 45 years, even at stock market highs, have generally translated to market gains one year after the cut.

[Repeated from last quarter] Again, with tariffs, tax bills, geopolitical tensions and a host of other issues on the table at any given time, it's important not to focus one's attention too much on any of them. And the best expression of that in an investment portfolio is broad diversification.

What's happening in portfolios?

Portfolios were up nicely for the quarter, in line with or slightly above expectations. The only change made during the quarter was a reduction in longer-dated treasury bonds to capture some recent gains from falling yields.

As always, your business is appreciated. Please let me know if you have any questions about your report or other matters. I hope you enjoy the transition of cooler days into Fall.

Best Regards,

A handwritten signature in cursive script, appearing to read "Mark".

Mark G. Smith, CPA, CFP[®], ChFC[®]
President

Enclosures