



TIMBER POINT
CAPITAL MANAGEMENT

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The Timber Log – What We Are Thinking About

October 10, 2025

Periodic Market Returns

Asset Class Summary								10/9/25
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	0.27%	3.26%	7.75%	15.23%	17.74%	23.71%	14.99%	
Global Stock Ex U.S.	0.29%	3.41%	7.83%	27.60%	20.37%	20.36%	9.95%	
U.S. Bond	-0.23%	0.14%	2.59%	6.29%	4.54%	5.07%	-0.37%	
Global Bond	-0.75%	-0.73%	0.49%	7.19%	3.98%	5.35%	-1.76%	
U.S. Real Estate	-1.79%	-1.56%	0.63%	3.85%	-1.22%	9.76%	5.49%	

Ex US stocks have kept pace with the US for the past 3 months...and have nearly doubled US returns on a YTD basis.

Region Summary								10/9/25
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	0.27%	3.26%	7.75%	15.23%	17.74%	23.71%	14.99%	
Global Stock Ex U.S.	0.29%	3.41%	7.83%	27.60%	20.37%	20.36%	9.95%	
Emerging Markets	0.61%	6.38%	12.47%	30.39%	22.29%	18.10%	6.79%	
Europe Stock	-0.53%	2.20%	3.14%	28.70%	18.98%	22.91%	11.90%	
Asia Pacific Stock	1.04%	4.48%	11.99%	26.16%	20.05%	19.01%	7.54%	
Latin America Stock	-1.05%	1.59%	7.38%	38.62%	19.49%	10.05%	11.93%	

It has been a broad based ROW rally led by LAM (?) but closely followed by EM and Europe, with APAC bringing up the rear – though still up 25%.

Equity Style Summary								10/9/25
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
Large Growth	0.69%	4.20%	10.04%	18.98%	26.13%	31.86%	16.33%	
Large Blend	0.33%	3.53%	8.04%	16.13%	18.62%	24.95%	15.52%	
Large Value	-0.26%	2.48%	4.88%	11.74%	8.68%	16.70%	14.13%	
Mid Growth	-0.20%	1.78%	3.30%	17.02%	20.74%	19.99%	10.10%	
Mid Blend	-0.50%	1.47%	3.81%	12.36%	12.61%	17.01%	11.26%	
Mid Value	-0.74%	1.24%	4.20%	8.82%	6.30%	14.52%	12.60%	
Small Growth	0.77%	2.71%	7.72%	9.08%	13.99%	15.80%	6.22%	
Small Blend	-0.33%	1.03%	5.36%	7.54%	9.82%	15.05%	10.63%	
Small Value	-1.16%	-0.25%	3.58%	6.37%	6.64%	14.42%	14.02%	

Despite the much anticipated small cap rally, large caps have outperformed small over 1 and 3 months, as well as on a YTD basis.

Source: Y Charts

ROW Returns

	1 week	MTD	QTD	3 mo	6 mo	YTD	1 Year
iShares MSCI South Korea ETF	6.31%	4.68%	4.68%	15.34%	57.79%	64.77%	36.97%
iShares China Large-Cap ETF	2.70%	0.68%	0.68%	14.20%	19.24%	37.96%	23.51%
iShares MSCI Spain ETF	1.24%	0.30%	0.30%	11.20%	29.09%	61.68%	50.56%
Global X MSCI Greece ETF	3.68%	2.75%	2.75%	10.80%	41.96%	73.17%	68.06%
iShares MSCI Netherlands ETF	4.38%	2.78%	2.78%	9.82%	32.17%	35.80%	21.88%
iShares MSCI Canada ETF	2.44%	1.37%	1.37%	9.79%	26.99%	28.00%	26.21%
iShares MSCI Japan ETF	1.67%	1.96%	1.96%	9.62%	26.04%	22.86%	18.02%
iShares MSCI Italy ETF	2.08%	1.27%	1.27%	9.13%	28.14%	48.81%	45.00%
iShares MSCI Taiwan ETF	3.03%	1.60%	1.60%	8.75%	40.37%	24.88%	24.42%
iShares MSCI Mexico ETF	-0.49%	-2.05%	-2.05%	8.28%	25.36%	45.28%	30.09%
SPDR S&P 500 ETF Trust	1.12%	0.45%	0.45%	7.31%	25.40%	15.18%	19.28%
iShares MSCI United Kingdom ETF	2.55%	1.60%	1.60%	7.08%	16.72%	28.36%	20.63%
iShares MSCI Sweden ETF	2.12%	2.12%	2.12%	5.66%	18.84%	32.02%	17.20%
iShares MSCI France ETF	3.03%	2.23%	2.23%	4.25%	16.33%	28.00%	18.43%
iShares MSCI Saudi Arabia ETF	1.35%	-0.22%	-0.22%	4.11%	1.39%	0.82%	1.46%
iShares MSCI Australia ETF	2.85%	1.59%	1.59%	3.59%	19.78%	16.71%	6.33%
iShares MSCI Brazil ETF	-1.30%	-2.16%	-2.16%	3.48%	17.29%	37.19%	10.50%
iShares MSCI Switzerland ETF	4.42%	2.57%	2.57%	3.21%	12.31%	25.63%	13.30%
iShares MSCI Ireland ETF	2.48%	1.43%	1.43%	1.73%	16.56%	18.71%	5.61%
iShares MSCI Germany ETF	2.99%	1.97%	1.97%	0.52%	17.43%	35.55%	31.14%
iShares MSCI Poland ETF	2.33%	2.24%	2.24%	0.30%	21.75%	60.49%	49.42%

Don't let the red shading fool you, it does not mean negative returns...this is rank order by color.

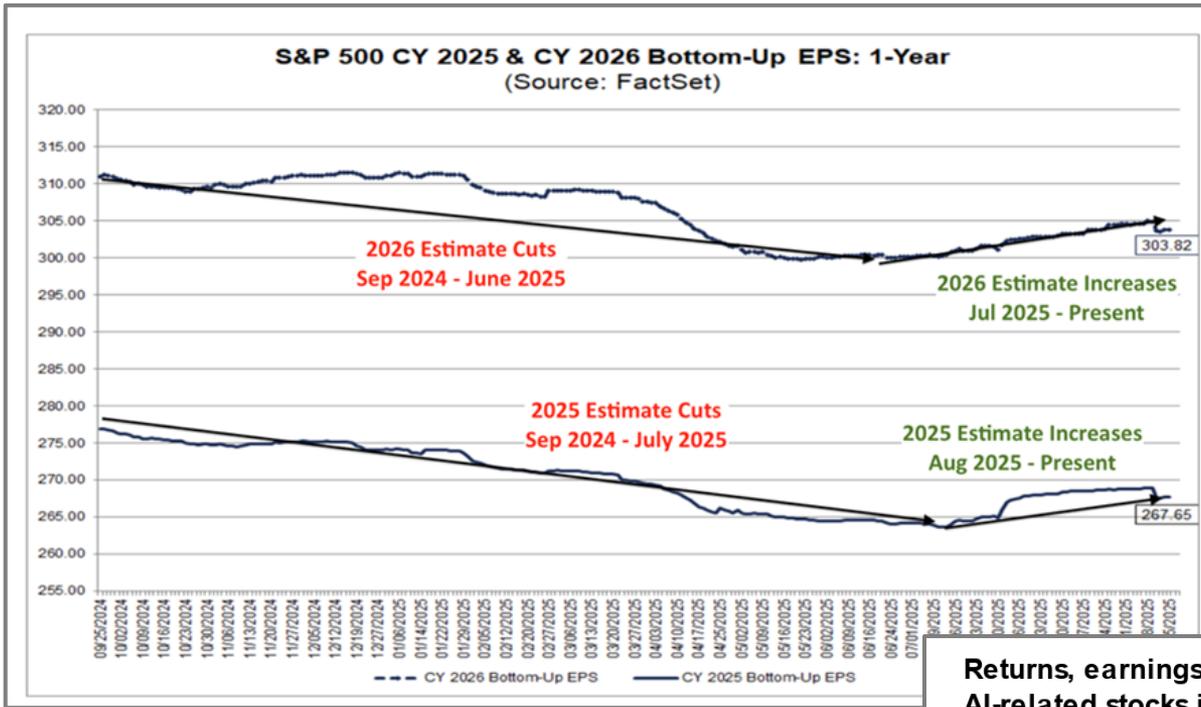
This ranking of countries is by 3 month returns - with the US sitting clearly in the middle of the distribution.

However, if ranked by YTD, the US would place next to last, just ahead of Saudi Arabia.

Greece, South Korea and Spain are the top 3 YTD performers...not sure many had that on the bingo card to start the year...

Source: YCharts

SPX Earnings



Source: Factset, Datatrek

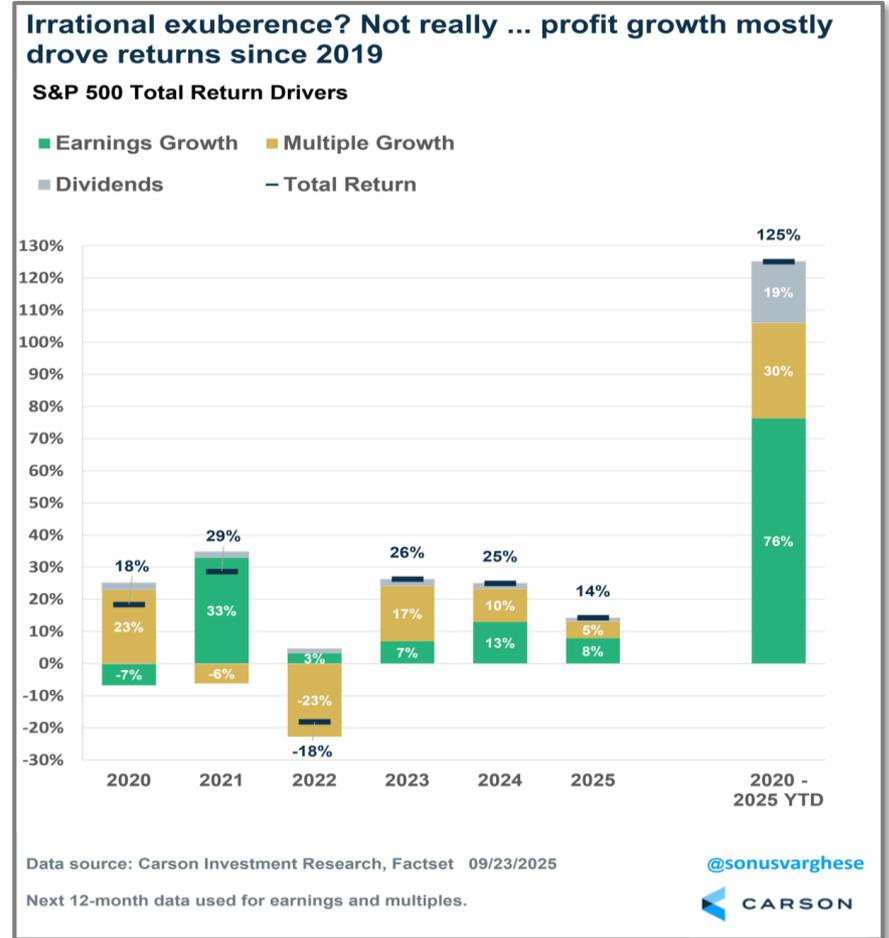
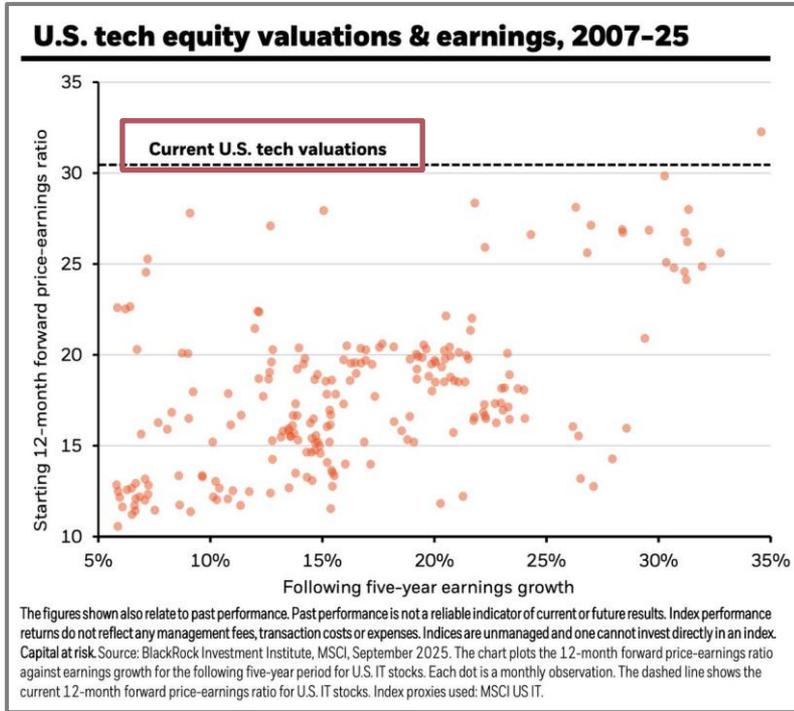
3Q25 earnings season is here and bottoms up estimates have been increasing – which is not normal, and likely a function of reduced tariff impact. 3Q EPS is now expected to increase by 7.5% y/y. Far fewer companies than normal have guided estimates lower suggesting that earnings surprises to the upside may be greater.

The AI earnings story since Nov '22 (Chat GPT launch) has been nothing short of remarkable. As seen to the right, AI related equities have had EPS growth that has dwarfed the growth rate of the ex-AI SPX...which begs the question, what inning are we in for the build out...and perhaps more importantly, will (and when?) the build out start to raise the earnings growth profile of the ex-AI SPX??

Returns, earnings, capex/R&D growth and contributions of AI-related stocks in the S&P 500 since ChatGPT launch

	AI: Direct	AI: Utilities	AI: CapEquip	S&P 500 ex-AI
<i>Performance since November 2022</i>				
Price return	181%	65%	138%	25%
Earnings growth	124%	15%	58%	9%
EBIT growth	98%	11%	71%	16%
Capex + R&D growth	63%	21%	-14%	4%
<i>Contributions to S&P 500 since November 2022</i>				
Price return	75%	0.9%	0.9%	23%
Earnings growth	79%	0.5%	0.8%	20%
EBIT growth	62%	0.4%	0.9%	36%
Capex + R&D growth	90%	2%	-0.1%	8%

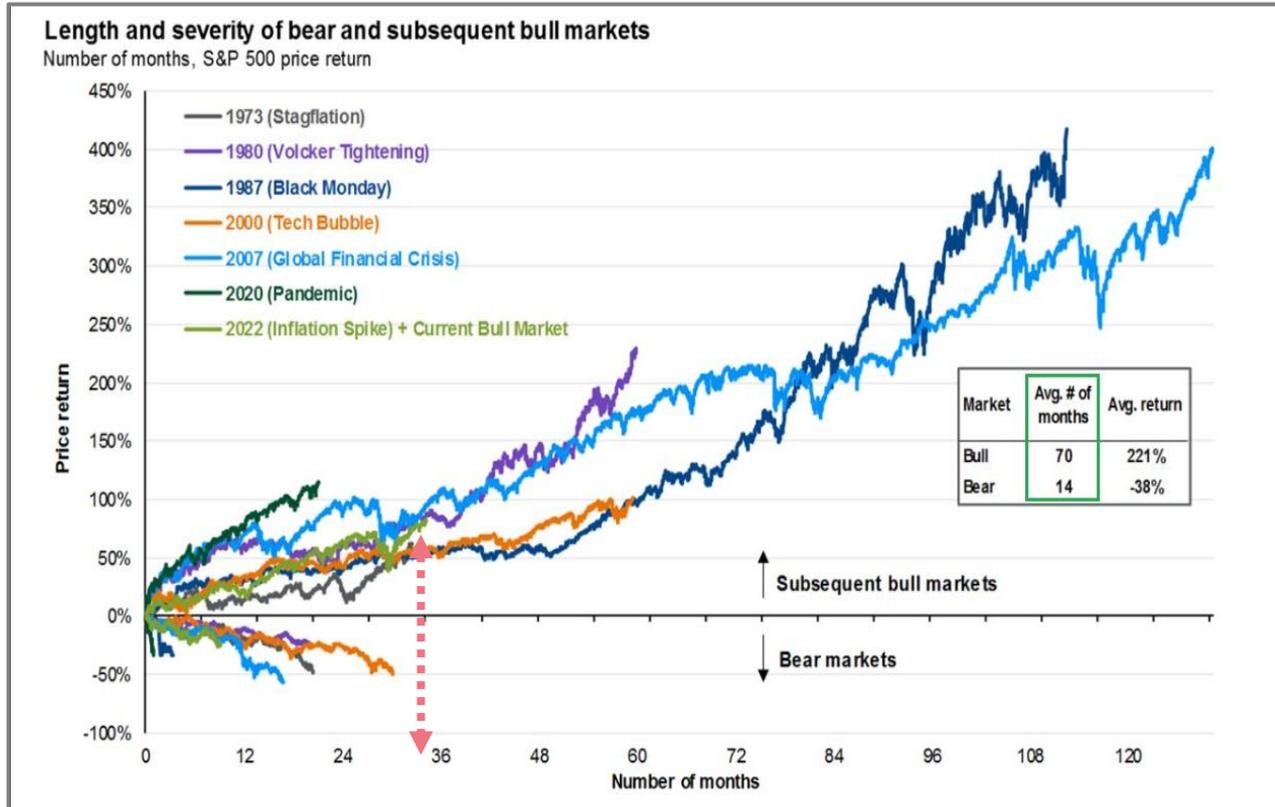
Source: Bloomberg, JPMAM, September 22, 2025



Tech valuations are stretched by historical standards...but as we have just seen that is a reflection of outstanding earnings growth. When SPX stock price returns are disaggregated (right chart) for the past 5 years, the main driver of price appreciation has been earnings growth, yes some AI-related the past 2 years, as opposed to multiple growth.

S&P 500 After Bear Markets

35 Month Bull Market



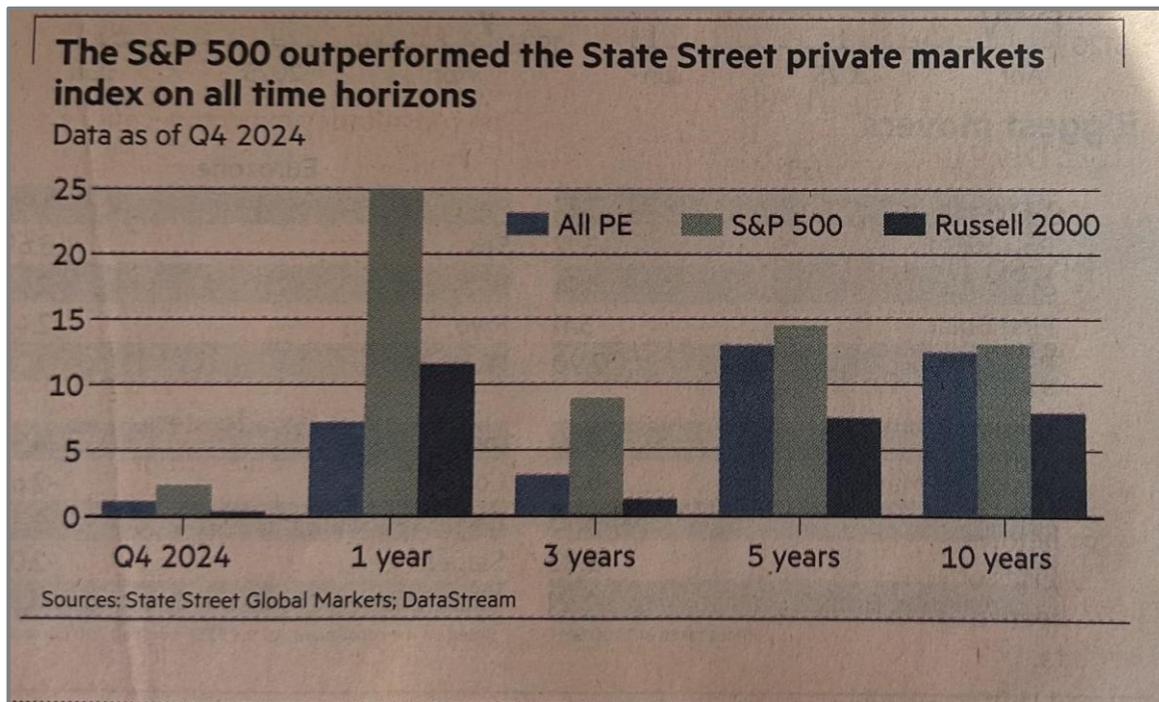
Source: JP Morgan

Parallels to the 2000 era dotcom bubble? In our mind, the key difference is the financial strength of the capital providers, some of the most profitable companies in the world. Not to mention, the Fed was hiking rates in '99 and '00.

Certainly, there could be a near/medium term overbuild, akin to fiber over capacity in the 2000's.

The depth and duration of the 2022 bear market is not comparable to 2000...that aside, there appears precedent for further gains based on the 2000 and other bull markets...

Private Equity



Over the last 10 years, the SPX has outperformed the State Street PE index.

No doubt a reflection of the 11% public market equity gains of the past decade, a fair bit higher than long term average returns of 8-9%.

But also, a reflection of cheap credit, and greater competition for deals resulting in higher entry prices.

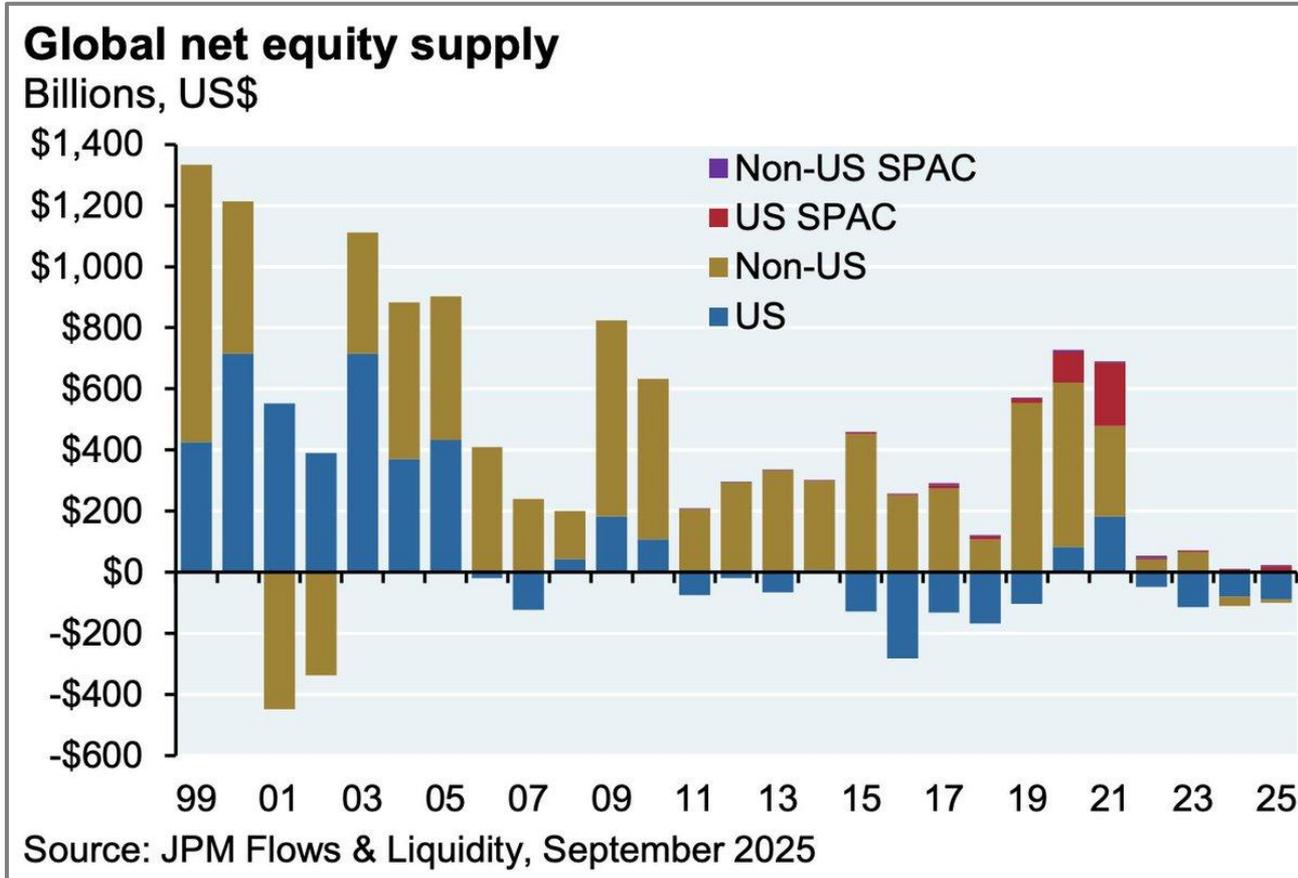
The exit environment has been difficult as well, until recently. Bottom line, outsized PE gains are being competed down. Whether they continue to underperform public equity remains to be seen.

Where Have all the Equities Gone?

Growth in global public equity supply has been non-existent the past few years as companies are staying private longer and the IPO window has been largely shut.

Also interesting is US equity (blue) that has been mostly negative since 2007, ex the '20 and '21 timeframe.

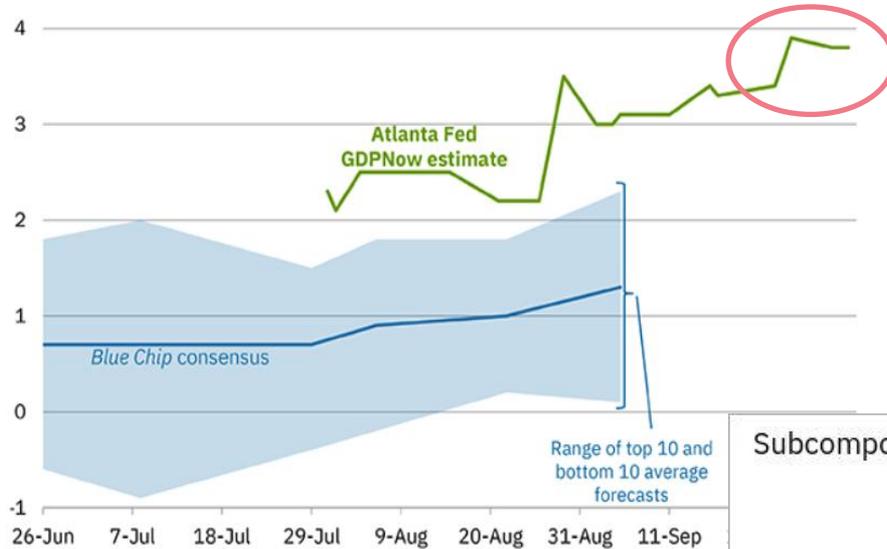
US SPAC's have seen some growth in '25, but are nowhere near the levels seen in '20 and '21 – and are unlikely to return to those levels.



US Economy

US GDP

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q3
Quarterly percent change (SAAR)

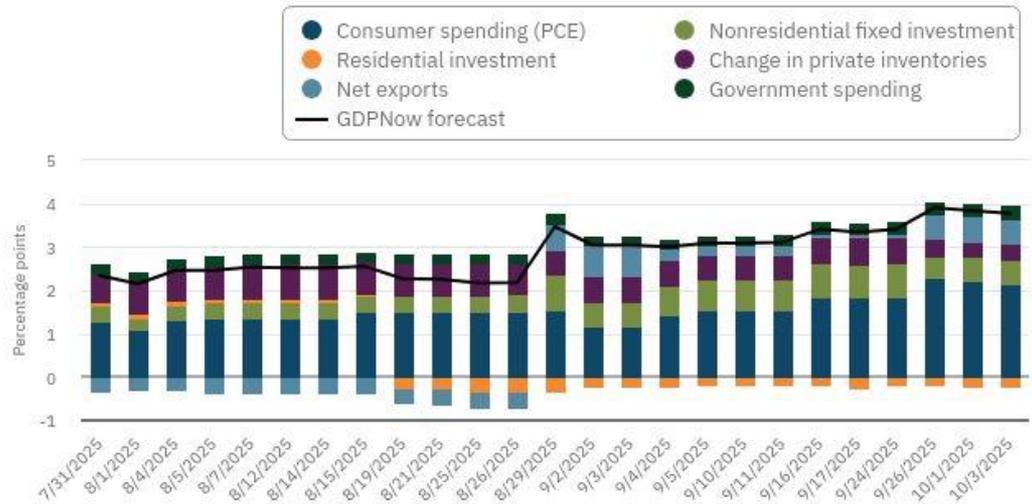


Source: Atlanta Fed

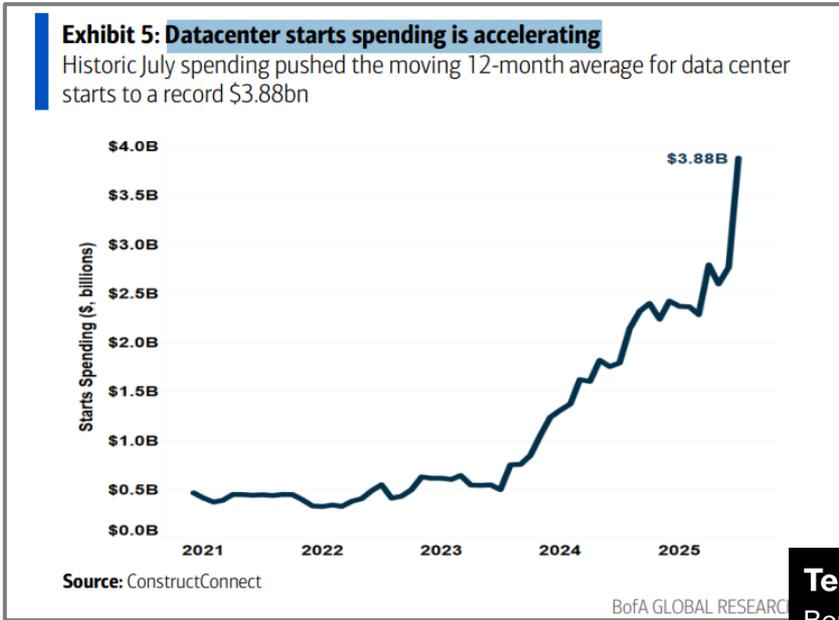
Based on economic data released during 3Q, there has been no let up in consumer spending (dark blue, right). Both net exports and non-residential fixed investment are adding to the GDP growth figures.

The US economy continues to rebound from its tariff-induced downturn in 1Q25. 2Q25 GDP was revised upward twice and ended at 3.8% - largely reversing the net export effect that dragged down 1Q25. 3Q25 estimates remain in the high 3% range based on Atlanta Fed GDPNow data.

Subcomponent contributions to GDPNow real GDP growth forecasts

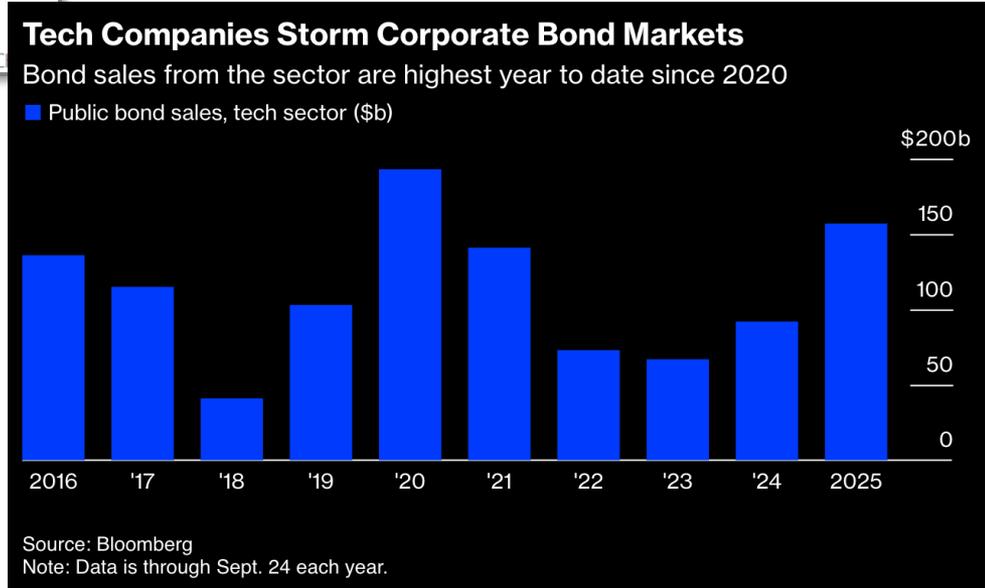


Source: Atlanta Fed



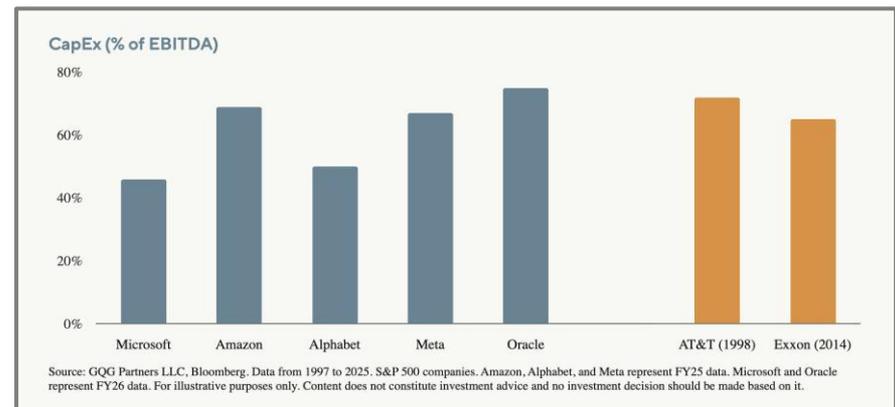
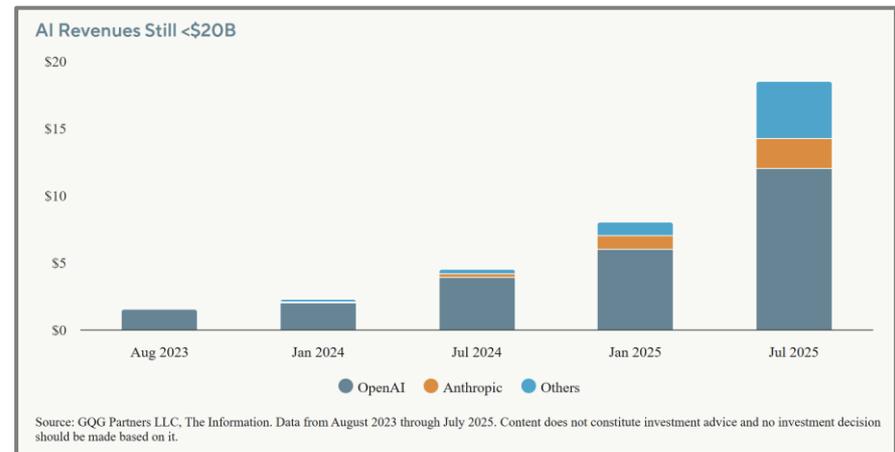
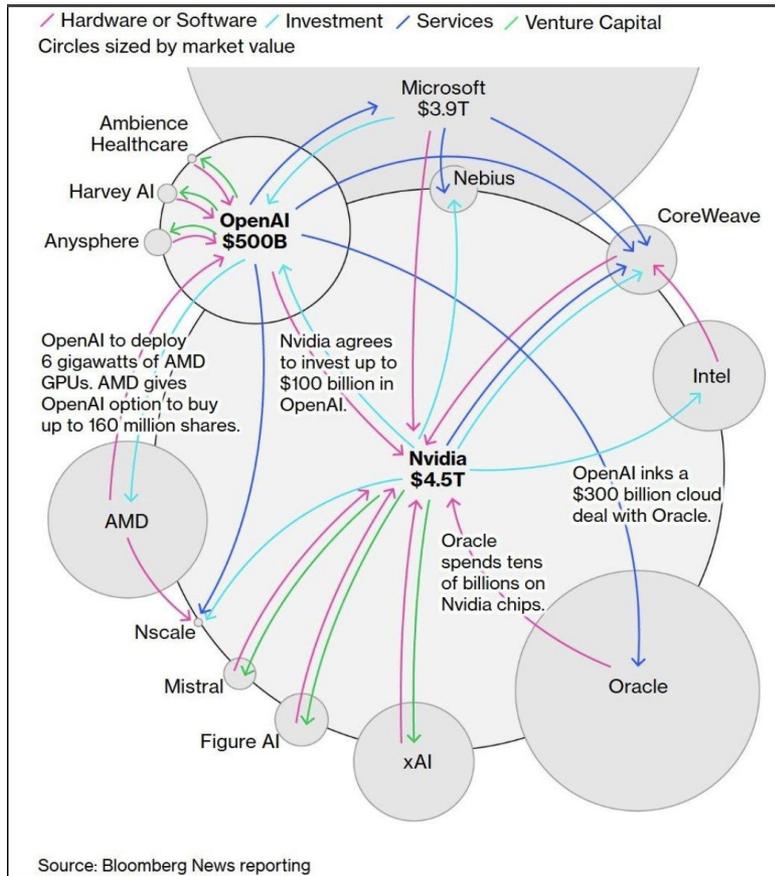
Probably just the tip of the iceberg as far as datacenter spending is concerned given recent announcement from OpenAI, xAI, and others. We saw earlier how this has been impacting eps growth for all things AI. Lots of questions about ROI on this spend, both amount and timing, which is probably still too early to gauge but needs to be closely watched. Would also like to see the power generation buildout spend figures...

This seems less like a “storm” and more of a rain shower, especially given credit markets were extremely tight the past few years. Private credit will become an increasing player in hyperscaler backed projects as they are seen as having strong tenant demand, low vacancy and CPI-linked leases – all helping to accelerate the build timelines.



AI Effect

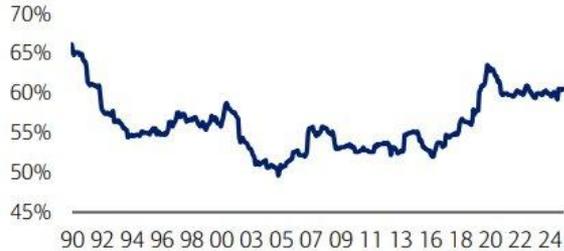
US Equity Market



“Abundant Intelligence” is the goal - the number of deals and staggering sums of money being spent are tough to fathom and even tougher to understand the intricacies. At the hub is NVDA, who is leveraging its ~\$50B of cash and \$60B of free cash flow generation (F2025) to accelerate the buildout and, of course, ensure the purchase of its GPU’s and accompanying infrastructure. OpenAI announcements are moving markets and it is now taking equity in the deal targets to possibly help offset the cost of GPU purchase (AMD).

Low Levels of Financial Leverage

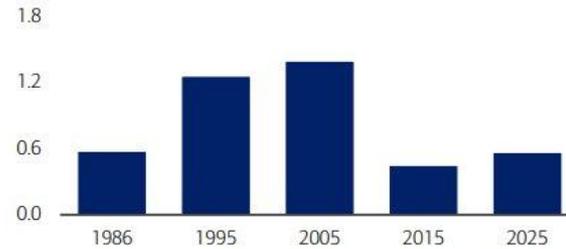
Exhibit 5: Higher quality composition than prior decades...
S&P 500: % of B+ or better quality-rated stocks, 1990-08/2025



Source: FactSet, BofA US Equity & US Quant Strategy

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Exhibit 6: Today's S&P has lower financial leverage than 1990s-2000s...
S&P 500 non-Financials net debt/Equity, 1986-2025



Source: FactSet, BofA US Equity & Quant Strategy

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Exhibit 7: Predictability: Large US equities are unlevered

S&P 500 Net Debt to Market Cap and US debt to GDP (1986-08/2025)

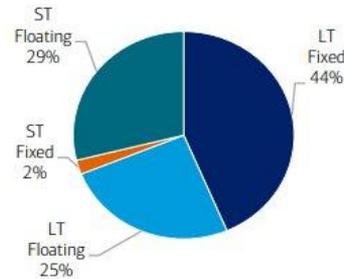


Source: FRED, FactSet, BofA US Equity & Quant Strategy

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Exhibit 8: In 2007, 44% of S&P 500 debt was L/T fixed

S&P 500 debt composition (as of 4Q 2007)

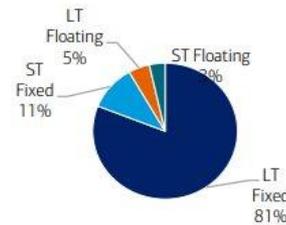


Source: FactSet, BofA US Equity & US Quant Strategy

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Exhibit 9: Today, >80% of S&P 500 debt is fixed and long-term

S&P 500 debt composition (as of 4/30/2025)



Source: FactSet, BofA US Equity & Quant Strategy

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Looked at more broadly, corporate leverage in the financial system appears to be in a solid place when compared to past history.

The % of investment grade companies has increased, net debt/equity levels are lower and more debt is termed out...all good things. Debt as a % of market cap is down substantially.

Perhaps pockets of exuberance exist, e.g. datacenters, but it is likely to be quite a while before we will know the true economics of AI proliferating through the global economy.

The BDC Market in Turmoil



Source: YCharts

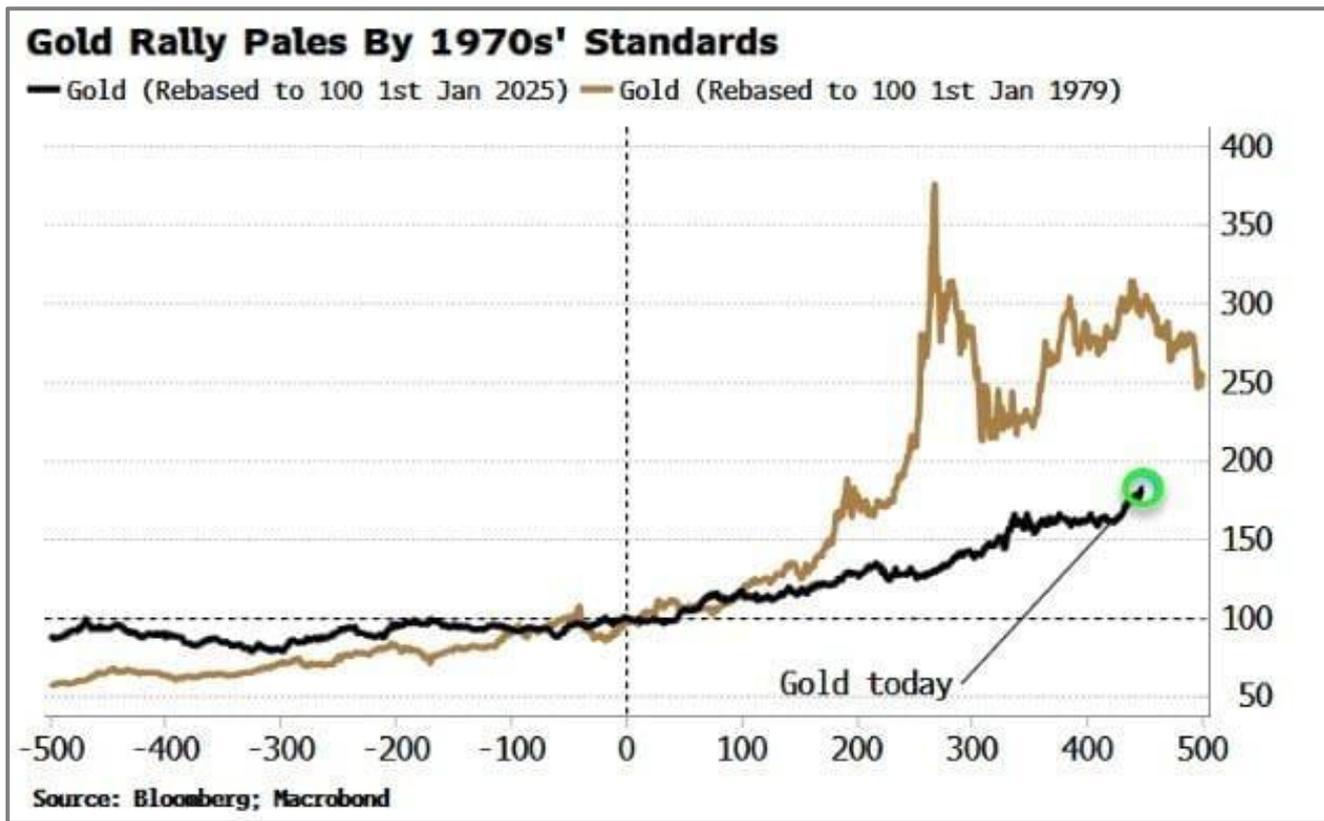
But the BDC market appears not to be paying attention to the prior credit metrics. And perhaps rightly so, given they are lending to sub-investment grade companies largely owned by private equity.

BDC's had been trading at a premium to NAV which could explain some of the weakness.

Other explanations are the “death of software” as AI disrupts the SAAS model that cash flow lending was based on.

The recent [Tricolor and First Brands bankruptcies](#) has been a wake-up call as investors scramble to find the next weak underwriting credit in a largely unregulated asset class.

However, with 10%+ yields, we think a lot of bad news has been discounted.



A tremendous rally in gold thus far in 2025 as de-dollarization continues.

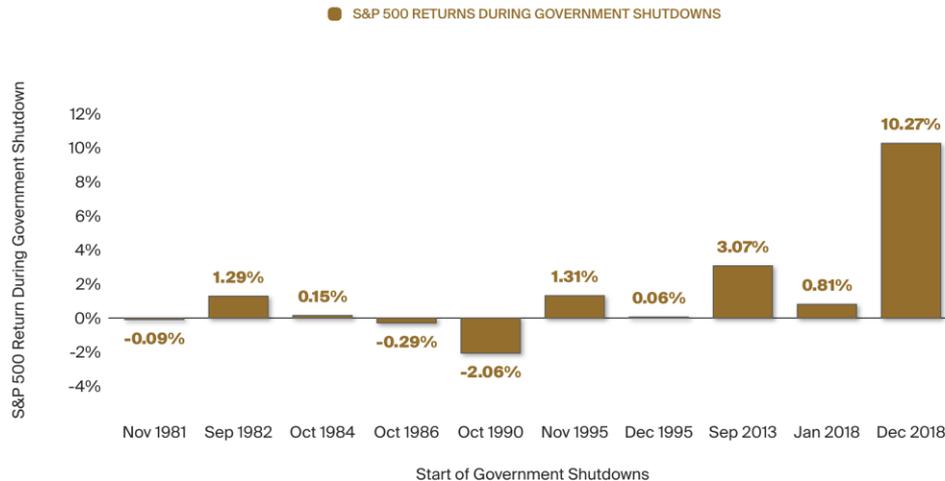
Still more to go? Perhaps, but the 1/1/79 rally depicted in the chart ended in Nov. 1980. Gold proceeded to then lose ~ 2/3 of its value over the next two decades.

Like any commodity, higher prices bring marginal reserves on line to take advantage of the price spike.

In our estimation, we think gold is due for a rest/consolidation.

How Has The S&P 500 Performed During Government Shutdowns?

S&P 500 Returns During Government Shutdowns
All Shutdowns Since 1980



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2019-01-25

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Don't fear the shutdown...history tells us that corporate earnings and stock prices don't.

Since the 9/25 shutdown, the SPX has gained almost 2%, small caps (IWM) are up 2.5% and micro-caps (IWC) have risen 4.4%. Yes, the riskiest asset class has rallied in the face of "irresponsible" behavior.

Trump is using the shutdown to potentially further downsize a bloated US federal workforce while drawing a line on Democratic demands for reinstated Obamacare subsidies.

Neither is a bad thing for the debt/deficit profile of the US...

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