



TIMBER POINT
CAPITAL MANAGEMENT

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The Timber Log – What We Are Thinking

October 31, 2025

Periodic Market Returns

Asset Allocation

Asset Class Summary								10/29/25
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	2.63%	3.16%	8.27%	17.62%	19.09%	21.75%	16.58%	
Global Stock Ex U.S.	1.54%	3.70%	9.38%	29.93%	24.59%	20.76%	11.24%	
U.S. Bond	-0.47%	0.82%	2.95%	7.04%	6.28%	5.54%	-0.20%	
Global Bond	-0.06%	0.44%	2.03%	8.27%	6.38%	5.58%	-1.52%	
U.S. Real Estate	-4.16%	-2.69%	-3.09%	2.95%	-2.88%	6.99%	6.80%	

Region Summary								10/29/25
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	2.63%	3.16%	8.27%	17.62%	19.09%	21.75%	16.58%	
Global Stock Ex U.S.	1.54%	3.70%	9.38%	29.93%	24.59%	20.76%	11.24%	
Emerging Markets	2.64%	5.78%	13.45%	34.26%	27.35%	21.65%	7.36%	
Europe Stock	0.96%	3.03%	6.44%	30.56%	22.84%	20.94%	14.05%	
Asia Pacific Stock	1.90%	4.96%	11.88%	29.06%	25.39%	22.00%	8.09%	
Latin America Stock	3.89%	1.62%	16.73%	45.28%	26.29%	11.77%	13.81%	

Equity Style Summary								10/29/25
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
Large Growth	4.81%	5.43%	11.24%	23.30%	27.89%	31.60%	18.13%	
Large Blend	2.91%	3.52%	8.63%	18.86%	20.41%	23.08%	17.19%	
Large Value	-0.35%	0.12%	4.04%	11.69%	9.68%	13.02%	15.45%	
Mid Growth	1.19%	-0.15%	0.55%	16.05%	18.37%	18.00%	10.67%	
Mid Blend	-0.01%	-0.62%	1.54%	11.73%	11.31%	14.33%	12.03%	
Mid Value	-0.89%	-0.96%	2.32%	8.43%	5.78%	11.22%	13.57%	
Small Growth	1.74%	1.89%	6.93%	9.13%	12.55%	13.98%	7.24%	
Small Blend	0.59%	0.55%	4.66%	7.43%	8.45%	12.45%	11.61%	
Small Value	-0.29%	-0.47%	2.94%	6.13%	5.32%	11.27%	14.95%	

Global equity markets have moved in sync over the past 1 and 3 months – with ROW markets holding on to a sizable lead on a YTD basis. The US gov't shutdown has not impacted US equities....yet.

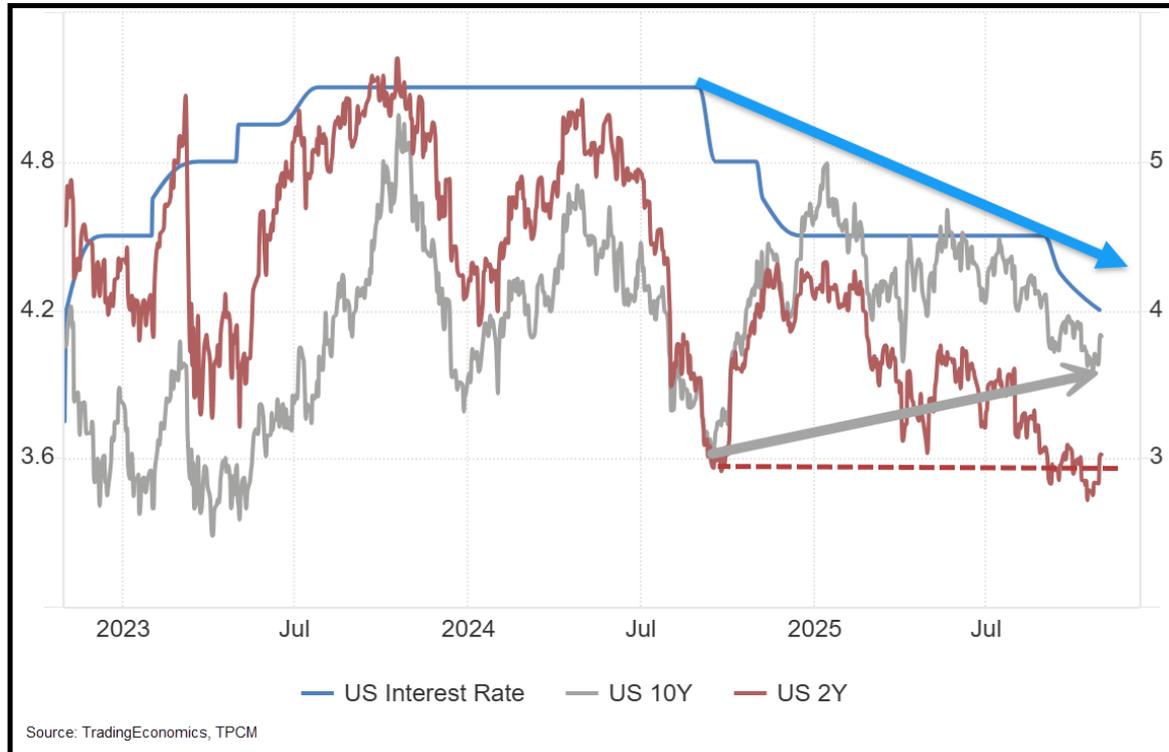
Surprisingly, global fixed income markets have posted equity like returns on a YTD basis as inflation cools and spreads continue to compress/stay tight.

Latin American markets, primarily Brazil and Mexico, are up 34% and 43% (MSCI indices) on a shifting global supply chain and near-shoring.

In the US, growth indices continue to outpace value across the market cap spectrum as technology/AI and comm services sectors are the best performers.

Source: Y Charts

Fed Funds and the Yield Curve



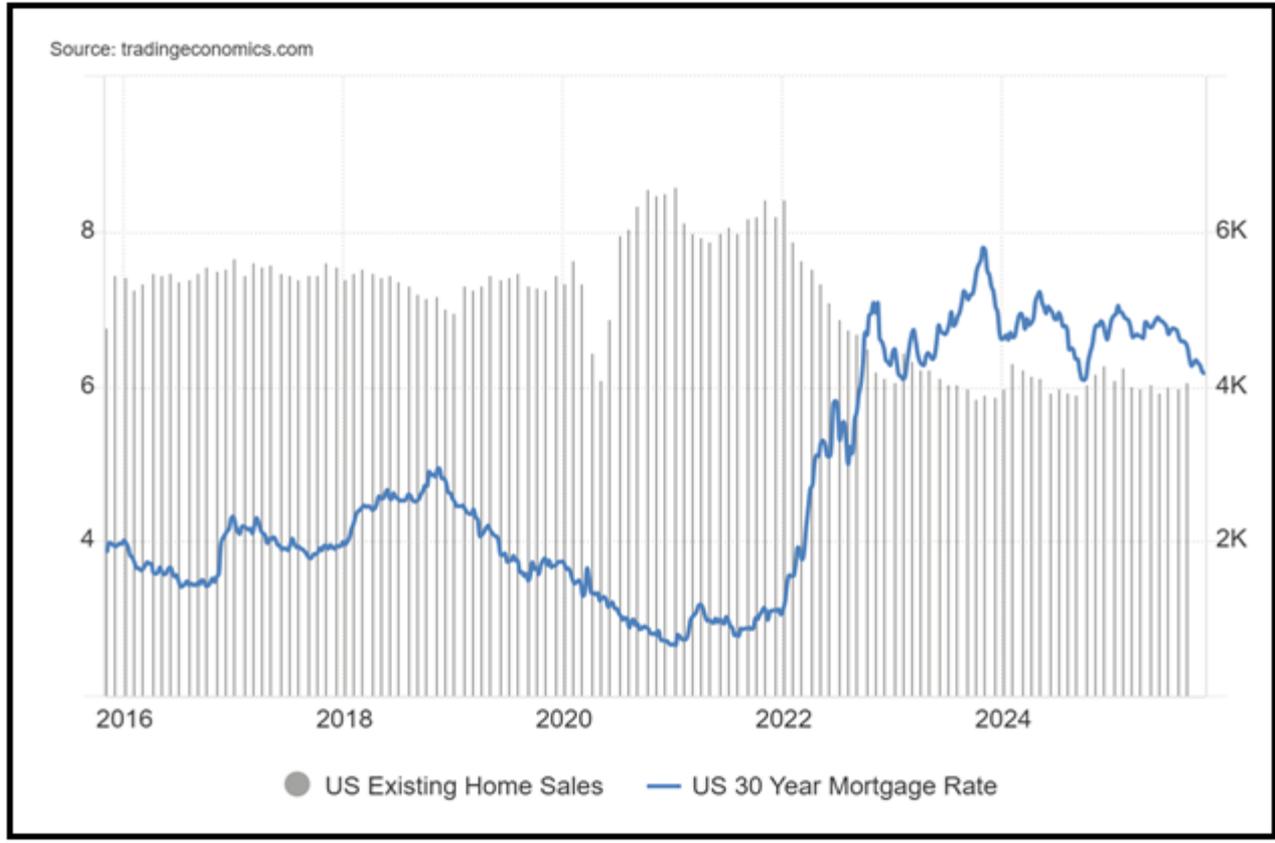
Despite the hopes of the Administration, the Fed's lowering of the Fed Funds rate has not resulted in meaningful yield declines.

In fact, 10-year yields have risen from 3.6% to a current 4%-ish...while the 2-year yield has largely stayed flat.

Inflation expectations continue to be anchored at the 3% level, suggesting real rates of 1%.

Powell noted at Wednesday's FOMC meeting that a December cut is "not a foregone conclusion"...labor markets are soft, but inflation is sticky/stable...resulting in a "no risk-free path to policy".

Housing



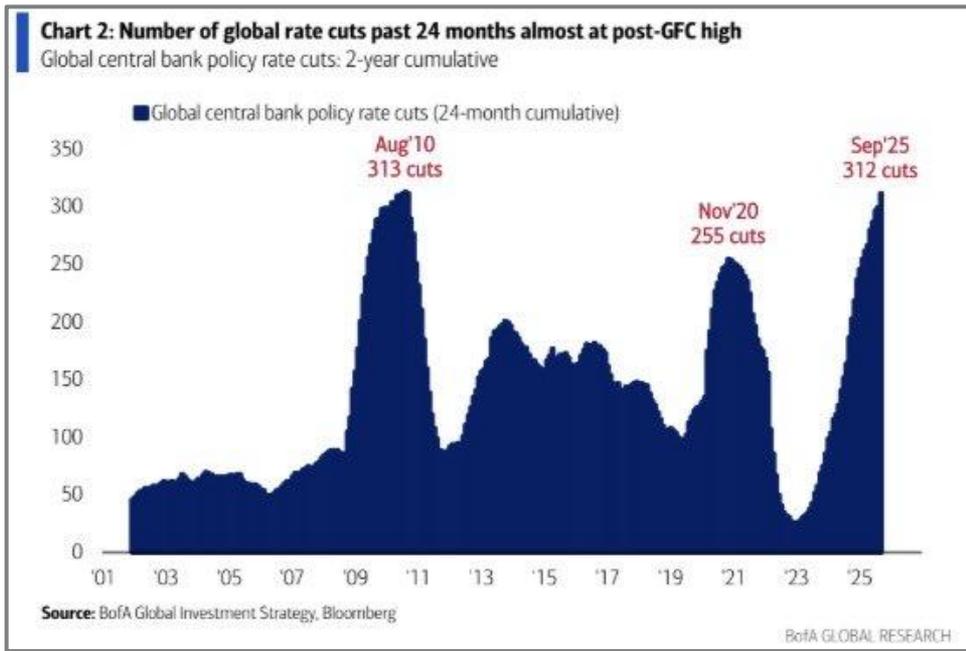
Nor has the Fed's rate cuts jump started the housing sector. Yes, the 30-year mortgage rate is lower, but it has yet to result in a higher level of existing home sales.

Turnover of existing homes spurs a great deal of economic activity and drives labor gains across the economy. Affordability issues continue to be the main culprit.

Homebuilders continue to do their best by offering to "pay down" higher cost mortgages, but their margins are being impacted and many interested buyers may have already been surfaced.

Central Banks

Monetary Policy



Global rates have been heading lower for the past 2 years...the BoJ is the sole central bank to recently raise rates...and they have been on hold in '25.

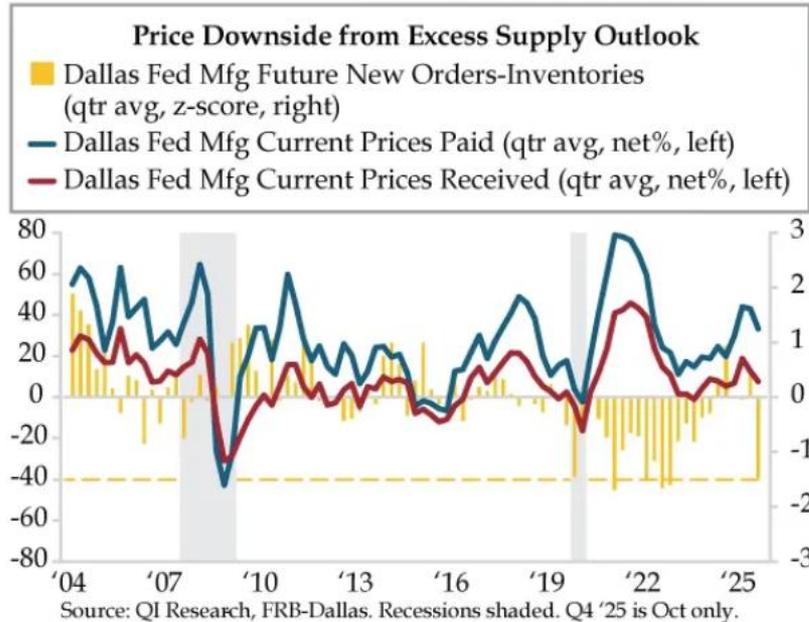
Other major countries have been cutting rates at almost unprecedented levels over the past two years – a boon for risk assets.

The decline/death of the USD is much discussed, but looked in a longer-term context, it remains firmly in its long-term uptrend, and now at an important level.



We understand that central banks are diversifying their reserves to avoid US confiscatory policy. We also know that there are few better options than king USD. A rebound in USD could hit ROW equity returns.

Limited Data – No Bueno



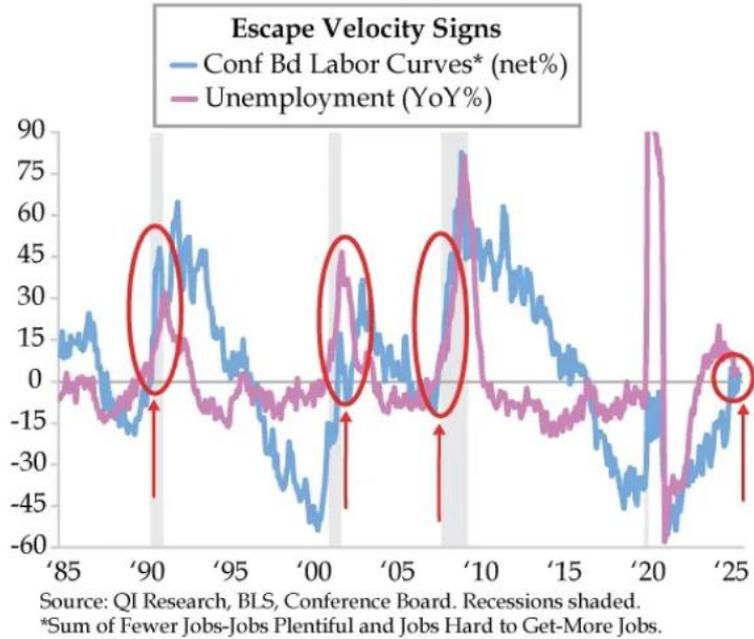
With limited government data due to the shutdown, we are left to parse other sources to discern what is going on in the economy.

What we have seen, at least from regional Fed reports, is not encouraging. Recent reports from the Dallas Fed and the Philly Fed suggest that conditions on the ground are worsening to worrisome levels.

QI Research has compiled data from the Dallas Fed which shows new orders less inventories, a measure of demand, dropping to levels rarely seen. Similarly, new orders out of the Philly Fed have dropped sharply while the outlook is hitting new lows.

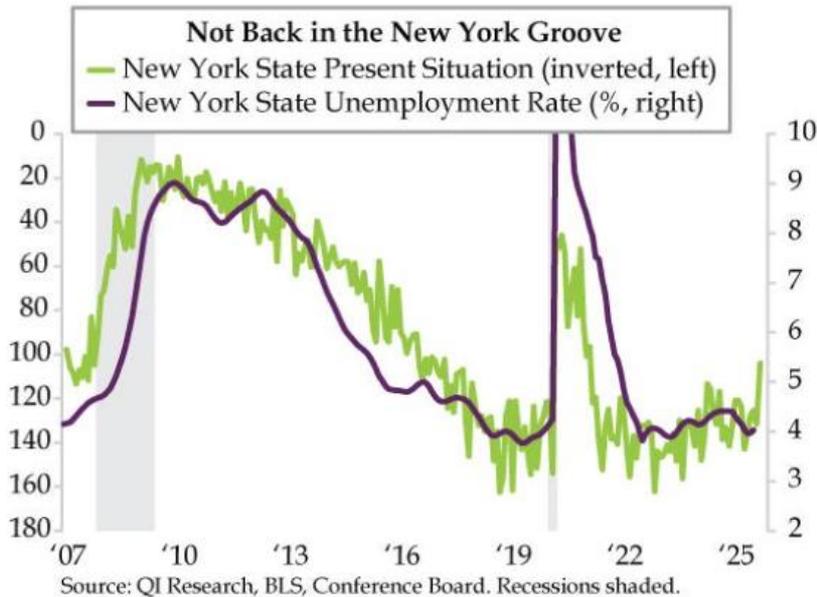
These surveys can reflect a moment in time, and perhaps that was on one of Trump's bad days...but this bears watching. The Atlanta Fed GDPNow model is not functional given the government shutdown.

Limited Data – No Bueno



Data out of the Conference Board is not terribly encouraging either. Again, QI Research parses data which continues to show a weaker labor market.

When QI's labor curve rebounds above the zero line, along with rising unemployment, it has been a fairly good signal of future economic distress. Is this time different?



As with the Dallas and Philly Fed reports, the New York State Present Situation index is suggesting stress in a different geographic area. While still somewhat subdued relative to history, it has hit multi-year highs (inverted) though yet to be confirmed by unemployment.

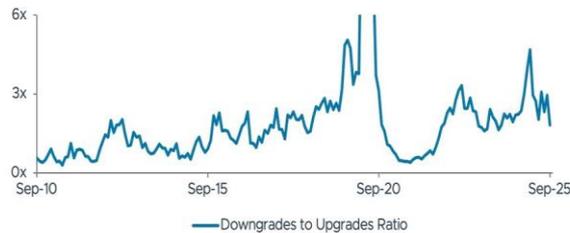
AMZN, UPS and TGT all announced recent layoffs...our ears are tuned for more.

No Cockroaches yet, Jamie...

Exhibit 4: Fundamentals across private credit and leveraged loans remain stable

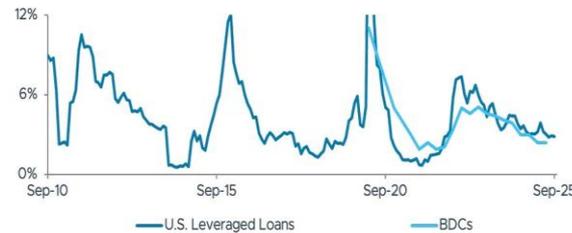
U.S. leveraged loan downgrades to upgrades ratio

Rolling three-month average, as of September 2025



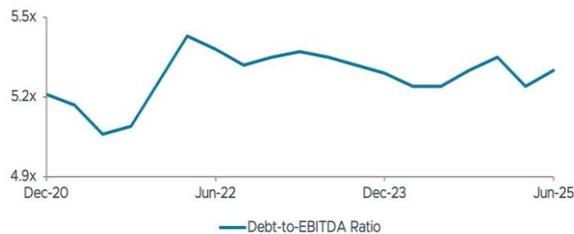
Percentage of loans trading in distress territory (below 80 cents on the dollar)

%, as of September 2025



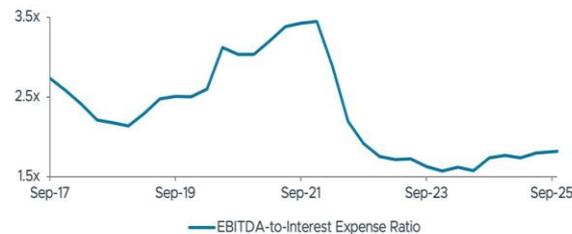
Private credit leverage ratio

Median debt-to-EBITDA leverage ratio, as of June 2025



Private credit interest coverage ratio

Blended average EBITDA-to-interest expense ratio, as of September 2025



Source: (left, top) PitchBook | LCD, iCapital Investment Strategy, with data based on availability as of Oct. 16, 2025. Note: Data through September 2025 and is subject to change based on potential updates to source(s) database. (right, top) PitchBook | LCD, Houthan Lokey, Advantage Data, iCapital Investment Strategy, with data based on availability as of Oct. 16, 2025. Note: Data through September 2025 and is subject to change based on potential updates to source(s) database. (left, bottom) Lincoln International, iCapital Investment Strategy, with data based on availability as of Oct. 16, 2025. Note: Data through June 2025 and is subject to change based on potential updates to source(s) database. (right, bottom) Houthan Lokey, Advantage Data, iCapital Investment Strategy, with data based on availability as of Oct. 16, 2025. Note: Data through September 2025 and is subject to change based on potential updates to source(s) database. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.



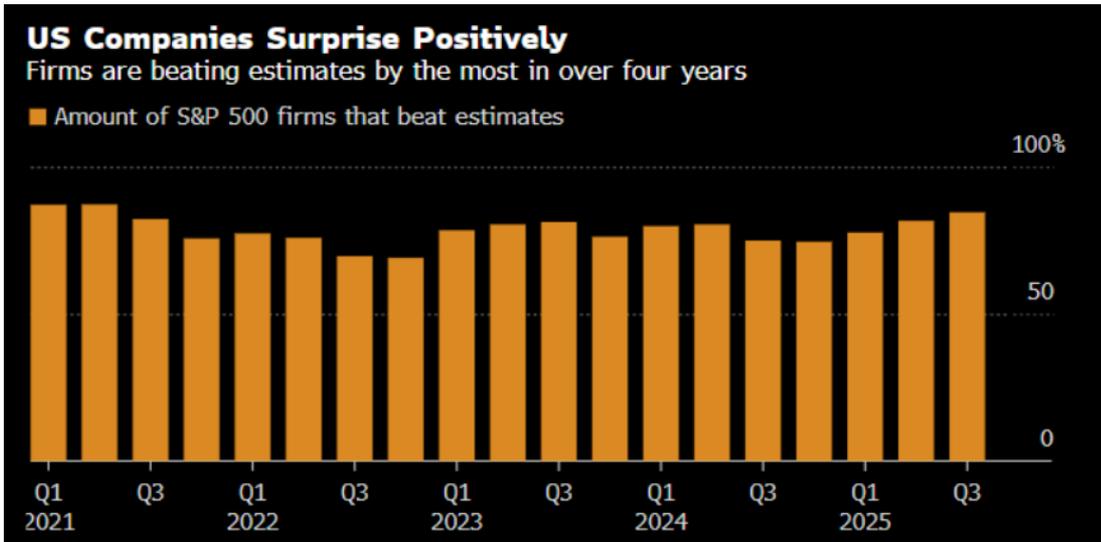
Despite all the hand wringing, and rightly so, over bankruptcies of First Brands and Tricolor, the broader credit scene appears to be stable.

A sudden economic event could certainly derail the current benign environment, as seen in spikes in the top two charts, but short of a significant GDP slow down, we are left to ask what would be the cause.

The shadow banking market is opaque, however, it doesn't appear to have taken on excessive levels of leverage.

S&P 500 Earnings

US Equity Market

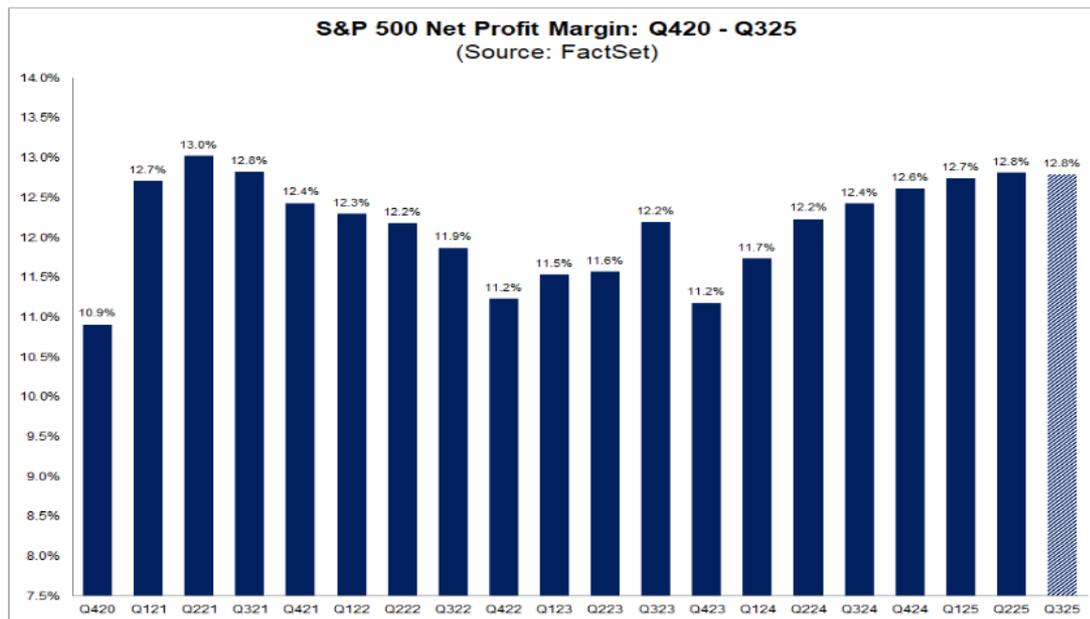


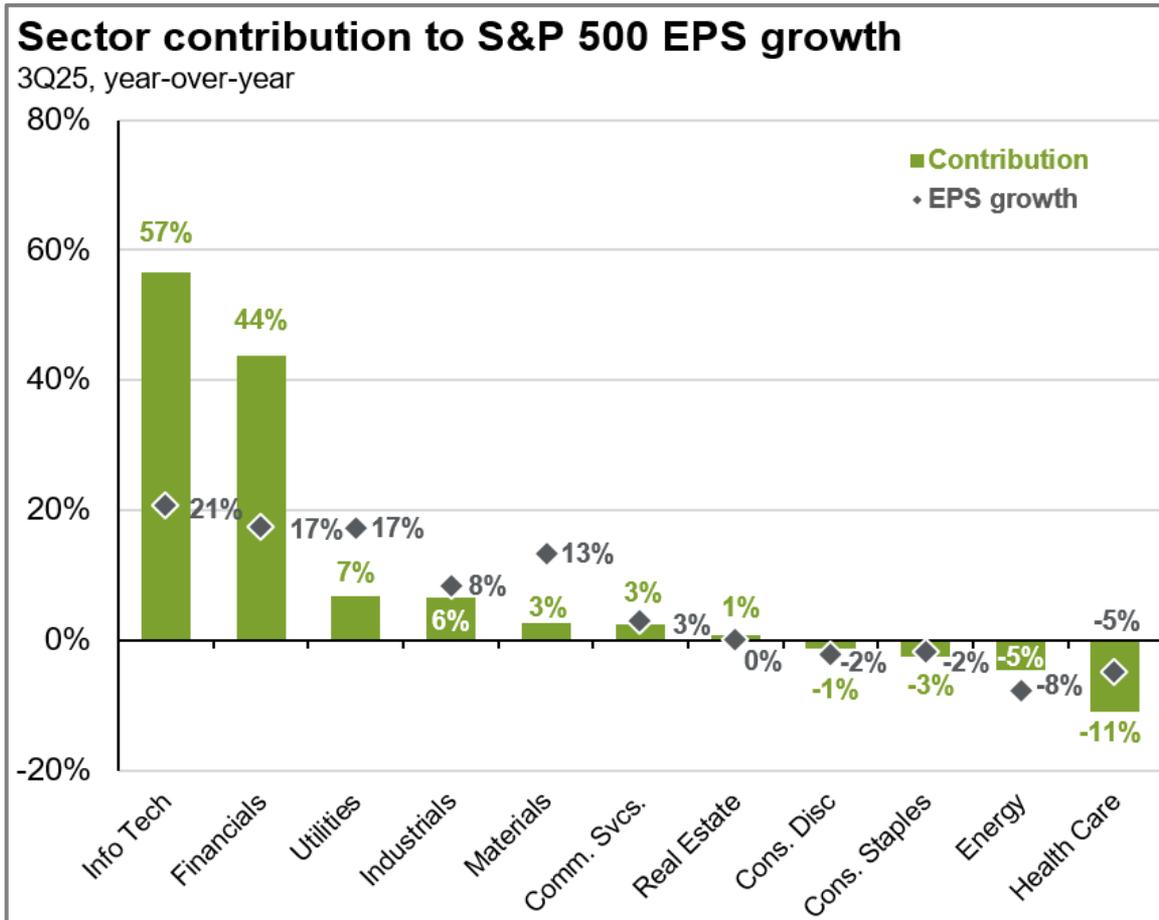
Thank goodness for earnings...with ~ 2/3 of SPX companies having now reported, EPS reports are in excess of analyst estimates...a fairly typical dance, but one whose music has only been getting stronger over the past several quarters.

Revenue growth has surprised with topline coming in 2.5% pts. above the 5-year average of 2.1% and 10-year average of 1.4% (Factset).

But the surprise has been the ability of margins to be maintained in an environment of higher input costs from tariffs. This was a real worry just two quarters ago.

Corporate America has done an excellent job of managing costs and logistics to keep EPS humming.





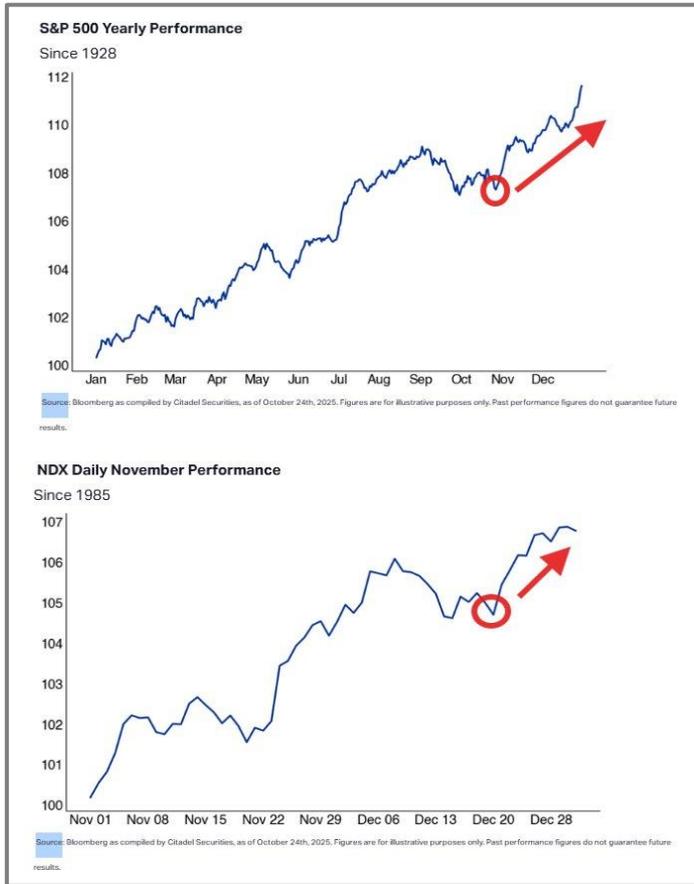
Source: JP Morgan

As expected, the technology sector has been a big contributor to SPX eps growth – followed closely by financials.

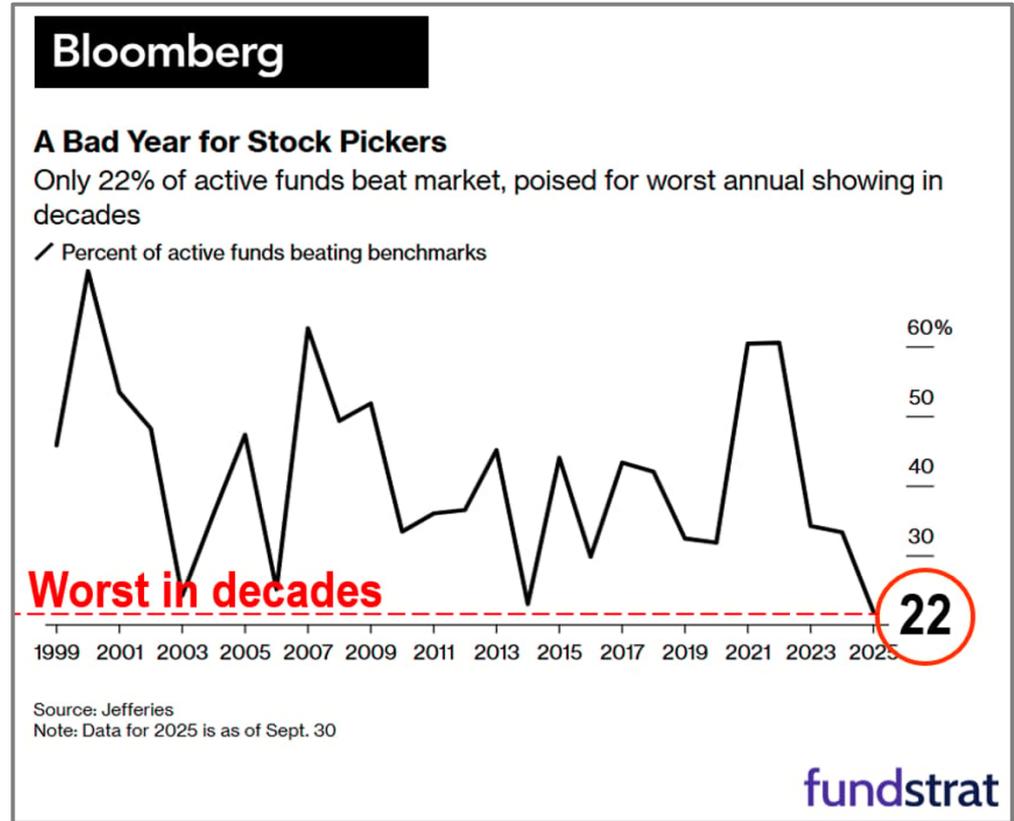
The enormous capex driven spend by hyperscalers (MSFT, GOOGL, AMZN, META), in addition to smaller “neo-clouds” that are primarily focused on high performance compute, has provided a ripe environment for all sorts of providers of equipment and services into the broad datacenter build out.

Money center banks reported robust capital market activity while regional banks powered through one-off credit concerns to post strong EPS.

Seasonality

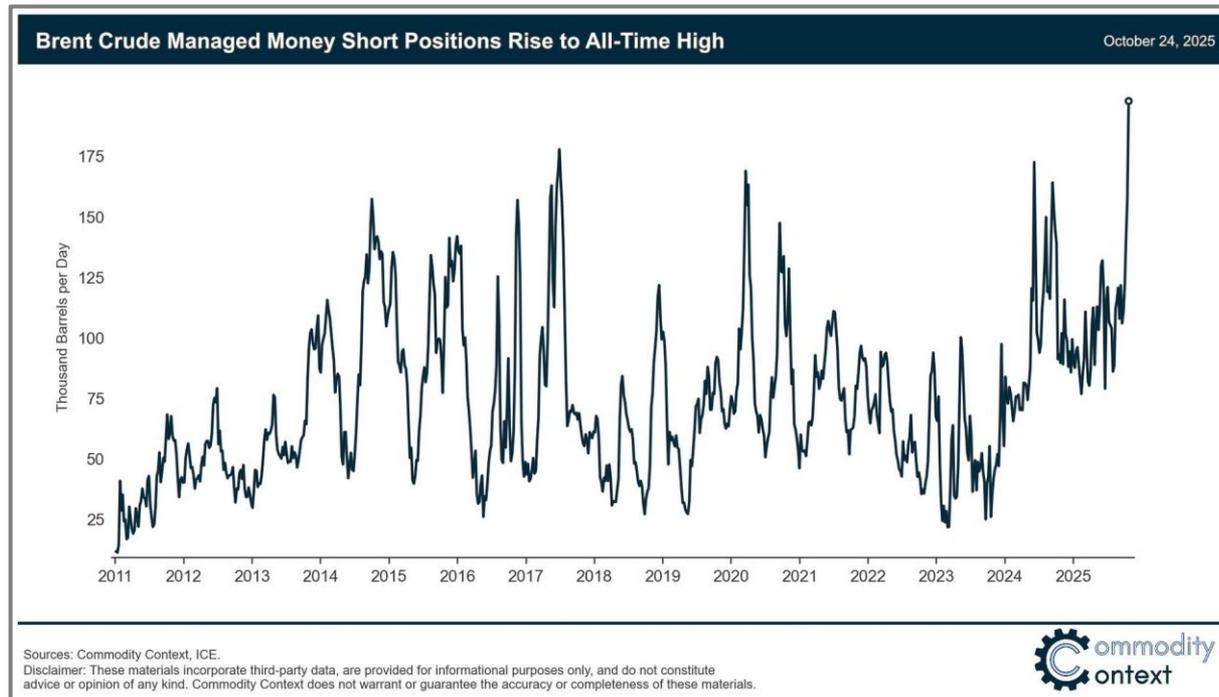


Source: Bloomberg



We have now moved into a seasonally strong part of the year with active funds trailing their benchmarks by the largest amount in decades. This suggests there could be a tremendous urge to play “catch up” from active managers - further bidding up stocks that have led the way in 2025. A “melt up” is entirely possible, despite all the protestations that the market is too narrow and too expensive...

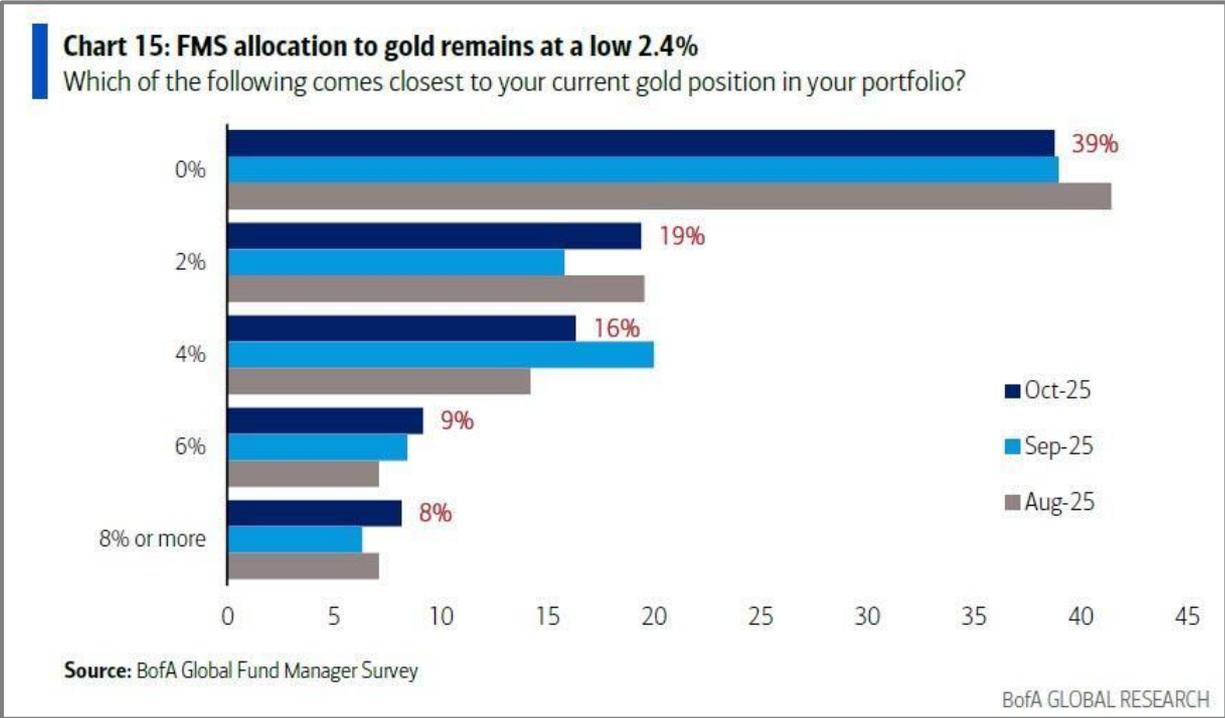
Contrarians Note



Global GDP trends remain encouraging for oil demand but many are aware that OPEC is moving barrels back onto the market from prior production cuts.

Our interest is peaked when sentiment is lousy but stocks have started to turn higher. We see that in service names (HAL, WFRD, RIG) and refiners (MPC, VLO, PSX) though not so much in the producers (maybe CVX).

It is early, but perhaps the stocks are trying to tell us that the 2026 economic outlook is improving with deregulation, steady tax rates and a new focus on fiscal discipline...?



Despite the enormous rally in gold, along with other metals in 2025, over 50% of investors have only as much as a 2% weighting to gold in their portfolios.

We view gold as a hedge against global policy uncertainty, and we have had that in spades in '25.

However, given the recent news of reduced trade tension between the US and its major trading partners, especially China, it makes sense to us that gold consolidates its gains for a period of time.

We had been long and trimmed positions too early...we are now looking for a new entry point.

The Wisdom of the Crowd...?



Good luck out there....stick to your process and convictions and tune out the crowd...as Warren Buffet remarked, "the most important quality for an investor is temperament, not intellect."

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