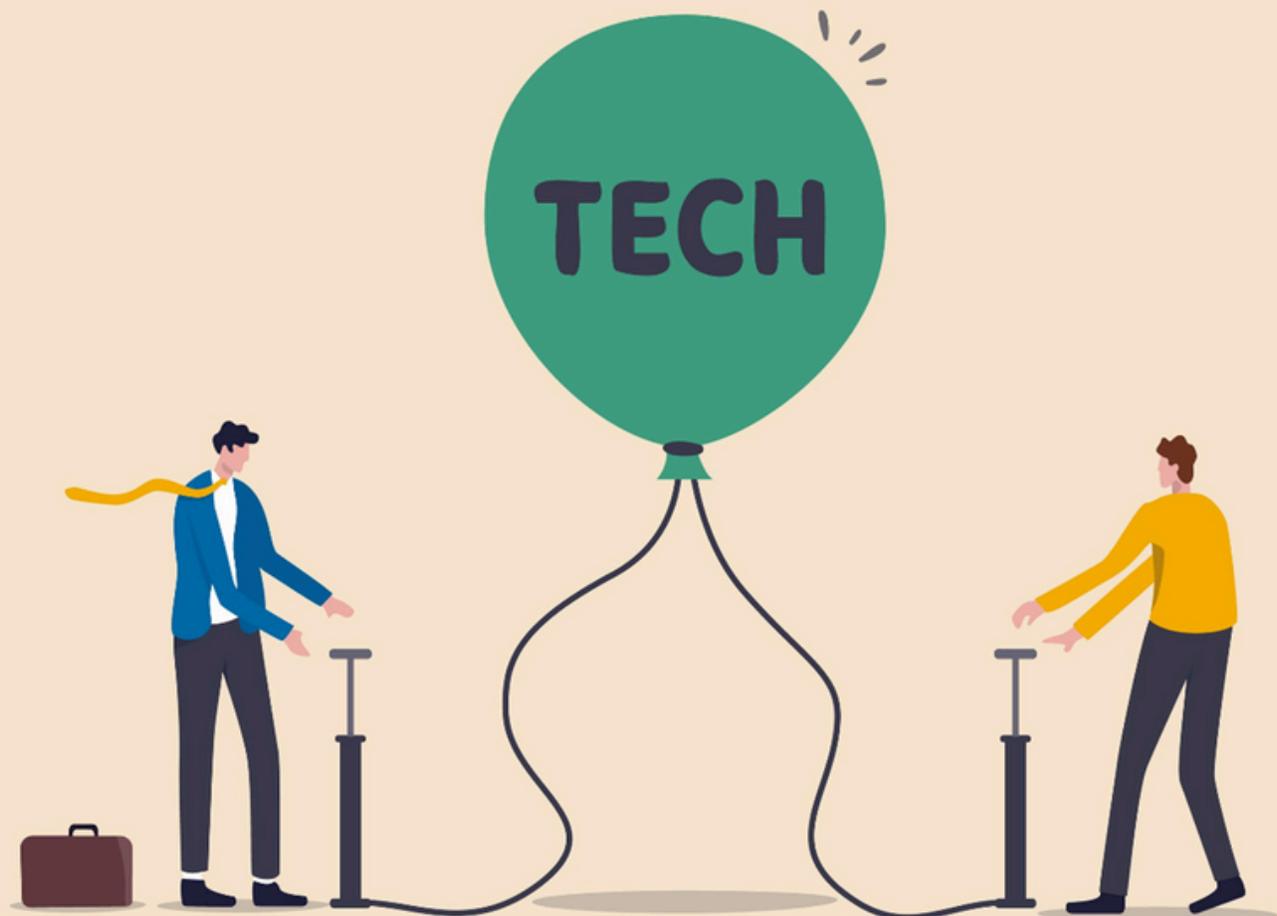




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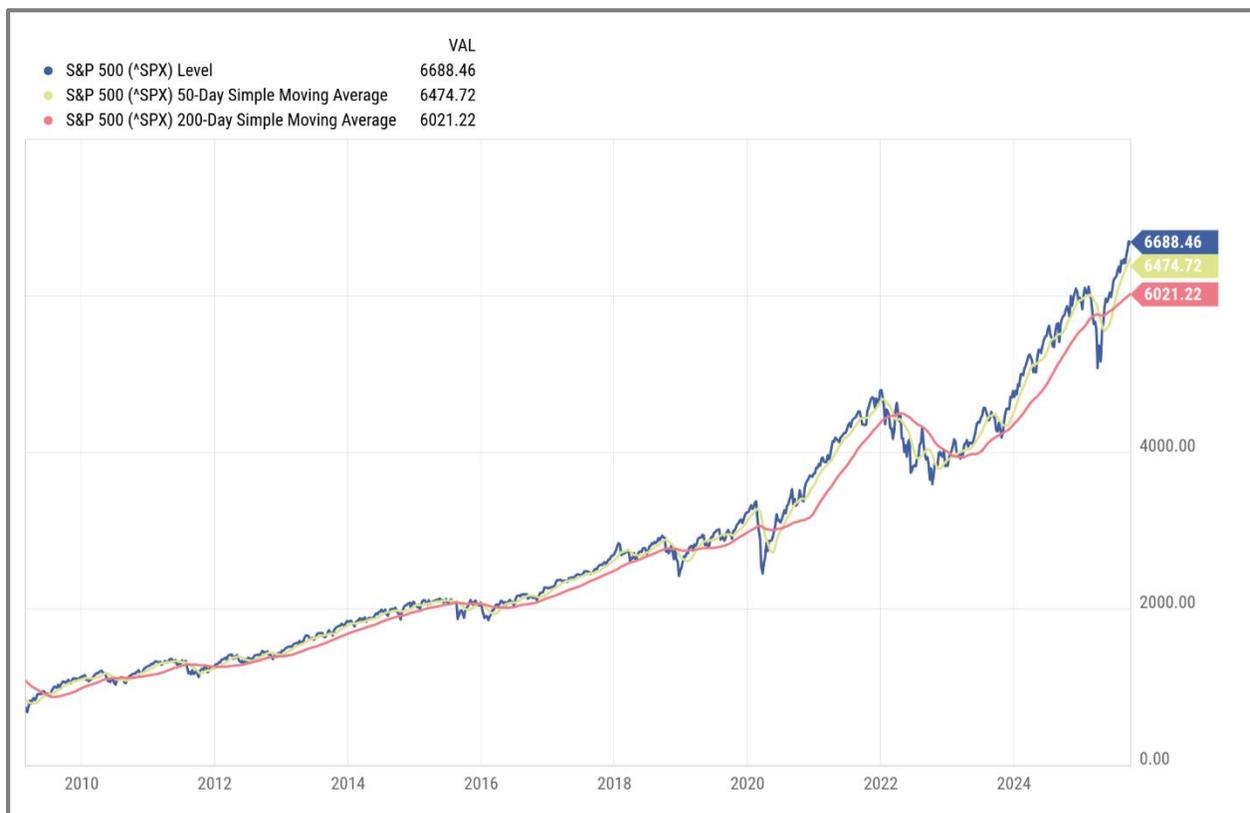
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# THE EVER GROWING TECH TRADE Q4 2025 OUTLOOK



## THE EVER GROWING TECH TRADE - Q4 2025 OUTLOOK

Global equity markets moved solidly higher during the third quarter, supported by greater clarity around U.S. trade and tariff policy, continued central bank accommodation, and another strong earnings season—led once again by large-cap U.S. growth companies. Notably, the inflation many feared would follow the Trump tariffs never really materialized, allowing the Federal Reserve to lower rates for the first time in a year. The S&P 500 climbed 8.1% during the quarter, setting 19 new all-time highs, and is now up more than 14% year to date. International markets also rallied, with the MSCI All Country World ex-US Index gaining 6.9% for the quarter and more than 26% year to date. Optimism was fueled by expectations for further rate cuts globally, helping offset lingering labor market weakness. Mega-cap tech stocks continued to lead the charge, with technology now approaching nearly half of the S&P 500’s weight. Despite stretched valuations and softer employment data, investor confidence held firm, while European and Asian markets hovered near record highs amid favorable currency moves and expectations of additional support from the ECB and BOJ.



Source: YCharts

While this quarter’s rally has been impressive, it’s also part of a much longer story. We’ve long argued that, outside of rare economic disruptions, [the U.S. equity market reflects a virtuous cycle of innovation, productivity, and earnings growth](#). Since the depths of the Global Financial Crisis in 2009, the S&P 500 has climbed more than tenfold to over 6,600—delivering a total return of roughly 1,150%. The current enthusiasm around artificial intelligence is, in many ways, the latest chapter in that narrative: technology once again driving structural productivity gains and reshaping corporate investment priorities. Today’s market leadership by AI-linked companies mirrors past periods when breakthrough technologies—whether the internet, cloud computing, or mobile—have fueled both growth and investor optimism.

Asset Class Summary								9/30/25
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	0.31%	3.45%	8.18%	14.40%	17.41%	24.12%	15.74%	
Global Stock Ex U.S.	0.16%	3.60%	6.89%	26.02%	16.45%	20.67%	10.26%	
U.S. Bond	-0.12%	1.09%	2.03%	6.13%	2.88%	4.93%	-0.45%	
Global Bond	-0.16%	0.65%	0.60%	7.91%	2.40%	5.45%	-1.56%	
U.S. Real Estate	0.24%	0.11%	3.12%	6.24%	-2.03%	9.31%	6.98%	

Region Summary								9/30/25
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	0.31%	3.45%	8.18%	14.40%	17.41%	24.12%	15.74%	
Global Stock Ex U.S.	0.16%	3.60%	6.89%	26.02%	16.45%	20.67%	10.26%	
Emerging Markets	0.00%	7.15%	10.64%	27.53%	17.32%	18.21%	7.02%	
Europe Stock	0.23%	1.98%	3.62%	27.50%	15.08%	22.91%	12.19%	
Asia Pacific Stock	-0.03%	4.73%	9.16%	23.72%	15.37%	19.32%	7.74%	
Latin America Stock	-0.18%	6.55%	10.18%	43.08%	20.41%	13.91%	13.54%	

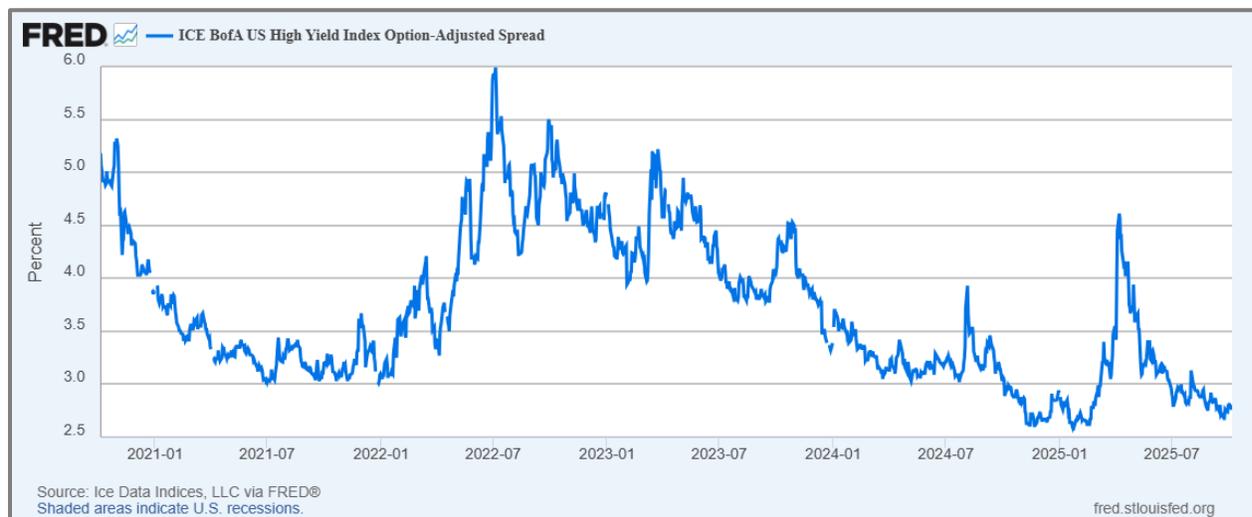
  

Equity Style Summary								9/30/25
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
Large Growth	0.34%	4.71%	9.57%	17.39%	25.59%	31.71%	16.77%	
Large Blend	0.47%	3.75%	8.22%	15.28%	18.45%	25.28%	16.15%	
Large Value	0.67%	2.33%	6.05%	12.00%	9.18%	17.61%	15.03%	
Mid Growth	0.59%	1.70%	3.40%	16.26%	21.52%	20.82%	11.03%	
Mid Blend	0.83%	1.61%	5.25%	12.63%	13.14%	17.96%	12.46%	
Mid Value	1.00%	1.52%	6.69%	9.80%	6.56%	15.51%	14.03%	
Small Growth	-1.60%	1.70%	7.65%	6.81%	11.97%	15.83%	7.31%	
Small Blend	-0.85%	0.96%	7.55%	6.88%	8.65%	15.88%	12.18%	
Small Value	-0.27%	0.40%	7.45%	6.92%	6.10%	15.86%	15.94%	

Source: YCharts

The S&P 500 Growth Index advanced 9.6% for the quarter versus a 6.0% gain for the Value Index, underscoring investors' ongoing preference for sectors like technology and communication services that continue to deliver consistent earnings momentum. Since the launch of ChatGPT in late 2022, AI-related names have been responsible for roughly three-quarters of the S&P 500's total return, earnings growth, and capex expansion. Oracle's massive \$60 billion annual infrastructure deal with OpenAI exemplifies how the AI boom is shifting the technology investment cycle—from cash-flow-funded expansion to a capital-intensive race for scale—potentially challenging the established dominance of Amazon, Microsoft, and Google. Meanwhile, small-cap stocks also joined the advance, with the S&P SmallCap 600 Index up 9.1% for the quarter, hinting at a modest broadening of investor participation as the quarter came to a close.

The U.S. bond market continued to grind higher on track for its best total return year since 2020, as inflation stayed subdued and expectations for easier monetary policy grew. The [Bloomberg U.S. Aggregate Bond Index](#) gained 2.0% for the quarter, lifting year-to-date returns above 6.0%. The Fed delivered a 25-basis-point "risk management" cut in September, citing labor softness. The 10-year Treasury yield traded in a tight range around 4%, reflecting a "Goldilocks" backdrop—neither too hot nor too cold. Corporate bonds continued to outperform Treasuries, with [high yield bonds](#) up 2.5% for the quarter and 7.3% for the year. Credit spreads remain historically tight, supported by healthy corporate balance sheets and steady economic conditions.



Outside the U.S., fiscal and political uncertainty dominated global bond markets. In Europe, divergent fiscal paths and policy debates drove volatility—France saw a downgrade on slower fiscal consolidation, while Italy was upgraded for improving discipline. The ECB warned governments not to lean too heavily on its support tools. In Japan, 30-year JGB yields rose sharply amid speculation the BoJ would begin normalizing policy. Political uncertainty around the LDP leadership race added to market jitters, and higher borrowing costs refocused attention on Japan’s massive debt load. The combination of shifting policy expectations and fiscal strain led to choppy trading across sovereign bonds, with investors reacting swiftly to every policy signal or data point.



Amid these concerns, gold shone brightly—literally and figuratively—surging above \$3,800 per ounce to new all-time highs. The rally reflected a weaker dollar, aggressive central bank buying (now topping 1,000 tonnes annually for three straight years), and robust institutional demand. Gold-related equities followed suit, with sector earnings estimates up nearly 80% this year and a noticeable increase in M&A activity. Digital assets also posted strong gains: Bitcoin rose about 6.7% to \$114,500, while Ethereum soared nearly 70% to \$4,488, helping lift total crypto market capitalization to nearly \$3.9 trillion.

Considering how uncertain markets felt back in early April, the rebound since then has been remarkable—driven by improving fundamentals, renewed investor confidence, and, yes, a healthy dose of optimism. Valuations are full, and sentiment is running high, but that’s often the nature of bull markets. Questions around lofty valuations and the effectiveness of AI-driven spending have sparked some healthy skepticism, but as we head into the final quarter of 2025, we continue to view the economic backdrop as broadly favorable.

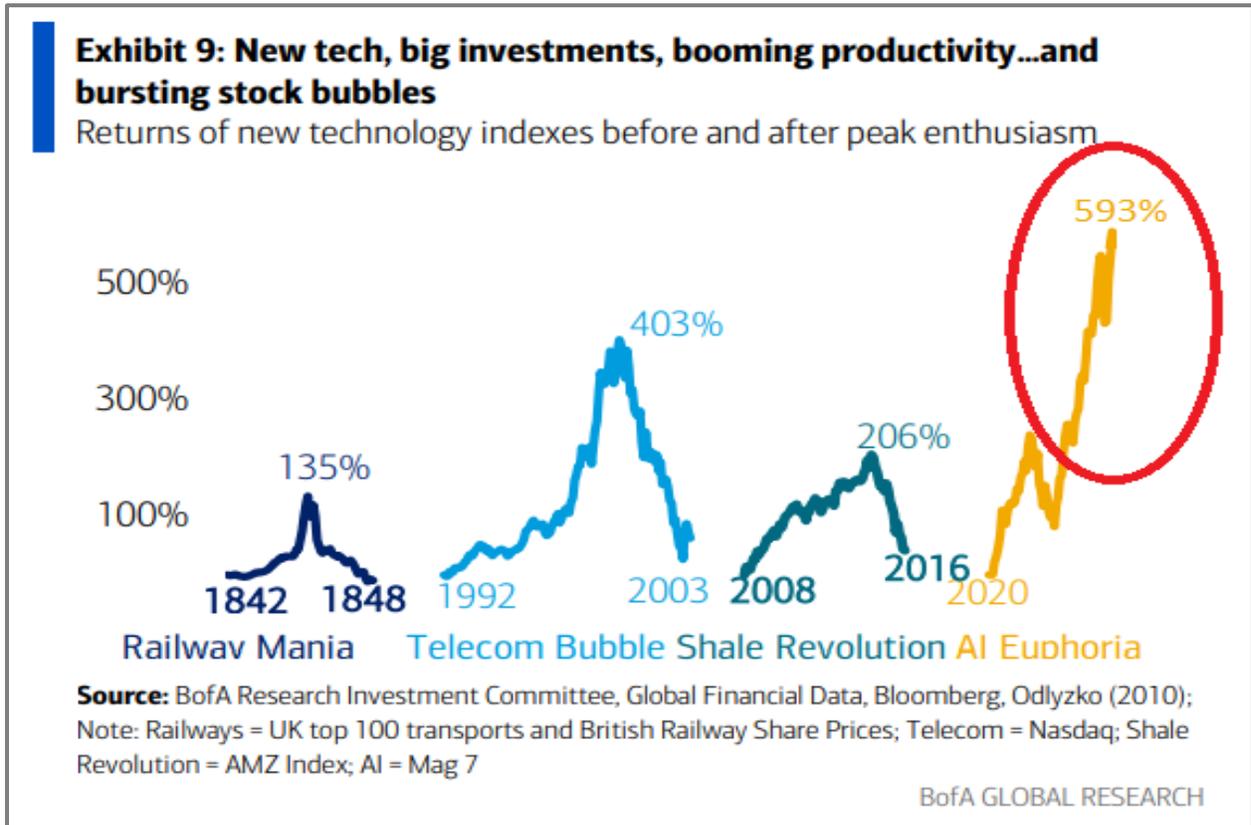
## 2025 4Q Key Economic and Investment Drivers

Real Economic Growth	Rising Stable Falling	After an early 2025 growth scare, <a href="#">the economic growth trajectory in the US</a> has improved markedly with the Atlanta Fed now posting strong projections into 3Q and beyond.
Inflation	Rising Stable Falling	<a href="#">Inflation</a> has improved throughout most of the last 12 months, allowing for a modest pivot in monetary policy. Continued improvements may occur but will be more difficult going forward.
Real Interest Rates	Rising Stable Falling	<a href="#">Real interest rates</a> have fallen yet remain at the high end of the long term range. We expect rates to continue to trade in a narrow band.
US Dollar F/X Value	Rising Stable Falling	For many years <a href="#">the dollar</a> has been the king currency among global competitors but fiscal uncertainty coupled with falling interest rates and a slowing economy may result in a weakening of the greenback.
Taxes and Regulations	Rising Stable Falling	The recent shutdown of the Federal Government increases an uncertainty variable as it applies to fiscal policy. Historically shutdowns have not had a negative impact on markets, yet the outcome is open ended.
P/E Ratios	Rising Stable Falling	<a href="#">S&amp;P 500 earnings</a> growth to exceed expectations and propel the US large cap equity market to its highest valuation in a generation. Down Capitalization and international markets trade at discounts.
Fixed Income Risk Premiums	Rising Stable Falling	<a href="#">High yield spreads</a> tightened over the past quarter, as broad economic risks fell. With stronger economic conditions and ample liquidity, we expect spreads to remain narrow.
Volatility	Rising Stable Falling	As markets have recovered over the past several months, <a href="#">volatility</a> has fallen back to secular lows reflecting a strong economic environment and reduction of fundamental risks. Periodic increases are always a possibility.

Source: TPCM

**Bullish** **Neutral** **Bearish**

While our macro outlook remains constructive, we’re mindful of valuation risks—especially in periods of investor euphoria. Across [multiple fundamental measures, U.S. equity valuations appear elevated](#).



However, these levels are partially justified by meaningful structural changes within the index: today's market is dominated by technology and communication services companies with stronger balance sheets, higher margins, and faster growth profiles. In addition, forward P/E ratios, when measured two years out, look less demanding. Additionally, and importantly, [earnings growth continues to exceed expectations](#). If earnings continue to grow, these lofty valuations could be justified.

Even so, investors should moderate their return expectations for the S&P 500, as the high-return, low-volatility environment of recent years is unlikely to continue indefinitely. 2025 has served as a clear reminder of the benefits of diversification, with international equities sharply outperforming their U.S. counterparts. Entering the year, sentiment toward overseas markets was broadly negative—many investors were fixated on finding the next high powered California tech company—yet foreign markets surged, posting year-to-date gains of 30% to 40% across several key regions. A weaker dollar, encouraged by Trump administration policies, provided a meaningful tailwind, while initial valuations abroad were deeply discounted relative to the U.S. The lesson is simple: valuations matter, even in periods of market exuberance. Undervalued markets and companies can rebound swiftly with only modest catalysts—[Mexico](#), for example, is up nearly 50% this year, despite ongoing trade tensions, as sentiment and policy dynamics shifted in its favor.

Given our fundamental view, we remain constructive on risk assets going into the fourth quarter, albeit with some changes within our allocations.

## 2025 4Q Asset Class and Sector Probabilities

Major Market Asset Class	Likelihood of Outperformance
Bonds outperform Cash	53.0
Equities outperform Bonds	52.5
Non-Traditional outperforms Equities	57.0
Non-Traditional outperforms Bonds	52.0
Europe outperforms the US	47.5
Asia outperforms the US	51.0
EM outperforms the US	53.5
Small Cap outperforms Large Cap	55.5
Mid Cap outperforms Large cap	54.5
Value outperforms Growth	53.5
Credit outperforms Government bonds	46.5

Sectors v Market	Likelihood of Outperformance
Discretionary	37.2
Energy	34.5
Financials	62.0
Health Care	59.7
Industrials	38.1
Info Tech	57.4
Materials	54.2
Real Estate	59.7
Staples	49.2
Communications	56.5
Utilities	41.4

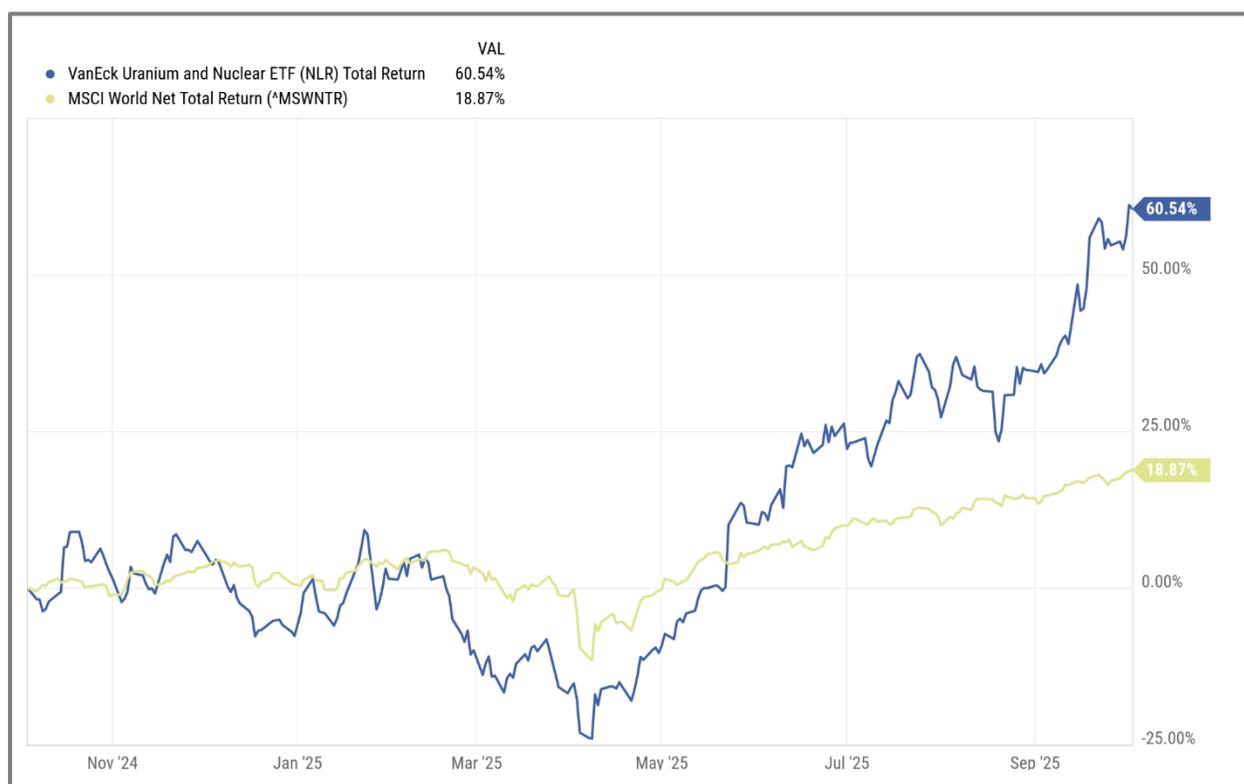
Source: TPCM

Bullish Neutral Bearish

In as much as large cap growth stocks appear to be fully valued, valuation concerns do not apply to U.S. small cap stocks. Small-cap stocks appear particularly attractive relative to large caps, with both valuation and growth metrics suggesting meaningful potential for outperformance. Today, small caps are trading at some of their most compelling levels in decades—valued in roughly the 5th percentile of expensiveness versus large caps, a discount not seen since 2001. Their average price-to-book ratio of 1.66 sits well below the 2.59 average for large caps, and forward P/E multiples of about 17x versus 20x further underscore the valuation gap.

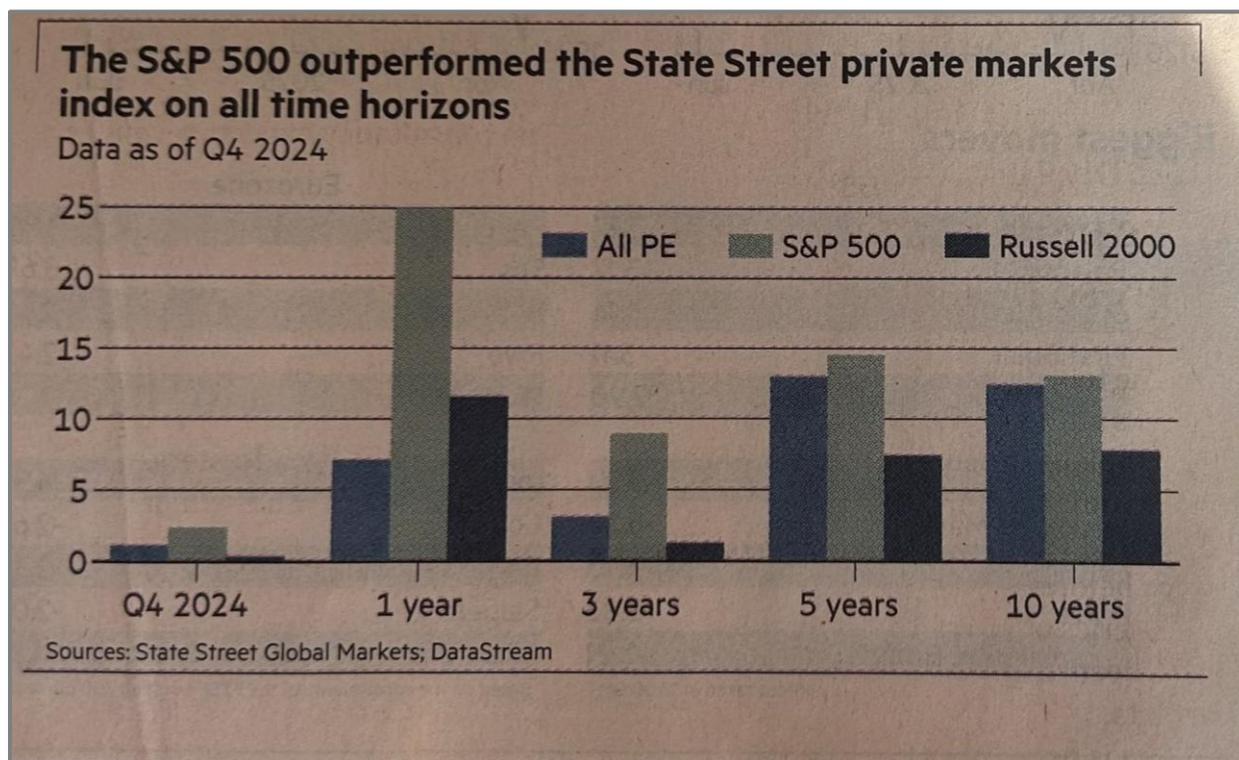
Earnings expectations also favor the group, with analysts projecting 22% EPS growth for small caps in 2025 compared to 15% for large caps. Historically, the Russell 2000 has delivered stronger long-term returns—8.9% annually over 35 years versus 6.3% for the lower tier of large caps—and today’s unusually wide performance gap suggests a ripe opportunity for mean reversion as market leadership broadens in future cycles. An increase to small caps at the expense of large caps is among the biggest asset allocation changes we will make this quarter.

As we move into the fourth quarter, we continue to emphasize non-traditional alternatives, where select opportunities—particularly those tied to AI-driven capital spending—look especially compelling. For instance, uranium and nuclear-related investments, which remain underrepresented in major indices, are surging amid accelerating expectations for future energy demand. Meanwhile, the case for currency and sovereign diversification remains strong, with gold, cryptocurrencies, and other real assets continuing to play an important role in well-balanced portfolios.



Source: YCharts

Not all areas within the alternatives space are shining, however. After years of delivering alpha, private equity is increasingly viewed as an overcrowded asset class struggling to justify its high fees, illiquidity, and lack of transparency. With roughly 4,000 funds now competing for deals, the industry’s ability to consistently generate excess returns has been meaningfully diluted.



Similarly, private credit has shown signs of strain, as Business Development Companies (BDCs)—publicly traded vehicles that lend to small and mid-sized private businesses—have underperformed sharply in recent months. While this selloff appears isolated given the resilience of other credit sectors, skeptics see it as a possible signal of overleverage or broader economic weakness.

Private investing isn't disappearing anytime soon—as the recent [huge EA transaction](#) illustrates—but investors would be wise to approach these increasingly crowded segments with clear eyes and a healthy respect for the risks that come with them.

As we look toward the final months of 2025, markets appear to be balancing optimism with realism. Economic conditions remain broadly supportive, inflation pressures are contained, and policy remains accommodative, yet questions around valuations, concentration, and the sustainability of AI-driven momentum are warranted. We believe thoughtful diversification—across styles, market caps, and non-traditional alternatives—remains the best approach in navigating this environment. The coming year is likely to test both discipline and conviction, rewarding investors who stay grounded in fundamentals while remaining open to innovation and new sources of return. As always, our focus remains on prudent risk management, long-term opportunity, and positioning portfolios to benefit from change rather than react to it.

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