

QUARTERLY MARKET REPORT

THIRD QUARTER 2025



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THIRD QUARTER HIGHLIGHTS

FINANCIAL MARKETS POSTED POSITIVE RETURNS AMID SHIFTING TRADE AND ECONOMIC CONDITIONS

FINANCIAL MARKETS

- The risk asset rally that started in the second quarter continued with several global equity indices setting new record highs. Some easing in trade tensions, strong earnings reports, some improvement in economic data, robust investment in artificial intelligence (AI) equipment and intellectual property, and expectations for interest rate cuts were the main drivers of the rally.
 - Growth stocks outperformed as the technology sector rallied and small-capitalization (cap) stocks outperformed buoyed by easing monetary policy. Emerging markets outperformed on AI enthusiasm.
- The U.S. bond market was choppy with yields higher early in the quarter but falling later as it became clear a rate cut was coming.
- Gold surged to near \$4,000 per ounce on central bank buying and safe haven demand due to geopolitical issues.

OVERVIEW OF THE ECONOMY

- The U.S. labor market showed signs of cooling but appears to be in a “no hire, no fire” mode with the number of new jobs and job openings falling, but unemployment claims staying steady.
- U.S. inflation pressures persist with key indicators rising. However, consumer spending remained resilient.
- The Eurozone avoided a recession due to higher consumer spending that offset falling exports. Inflation was steady. China’s economic data continues to slow hurt by tariffs and the property sector contraction.

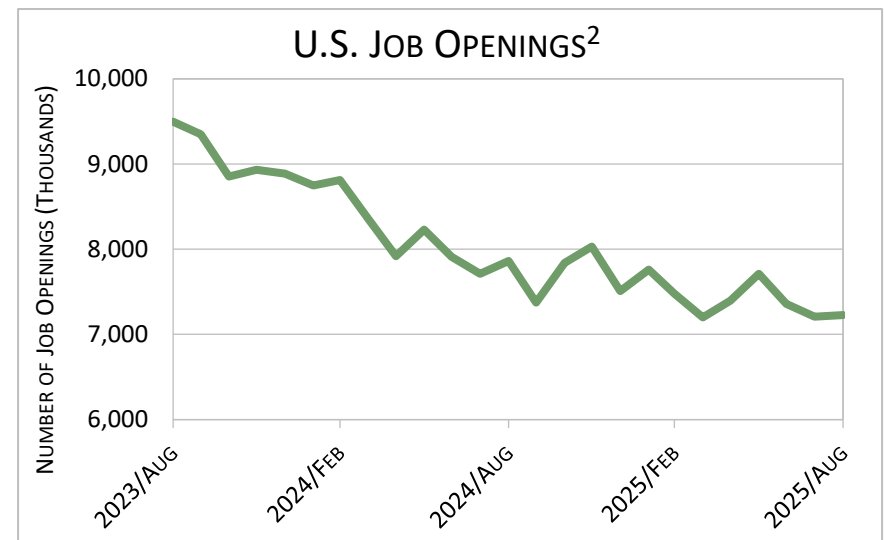
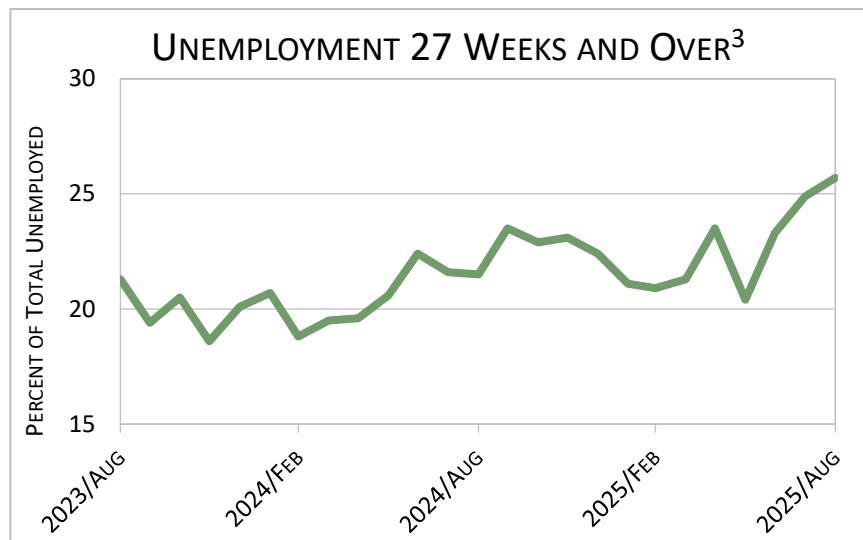
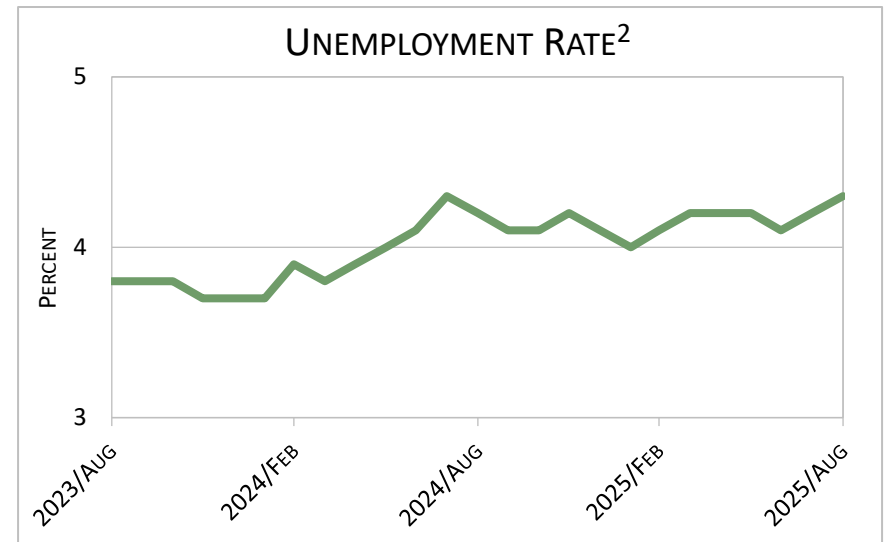
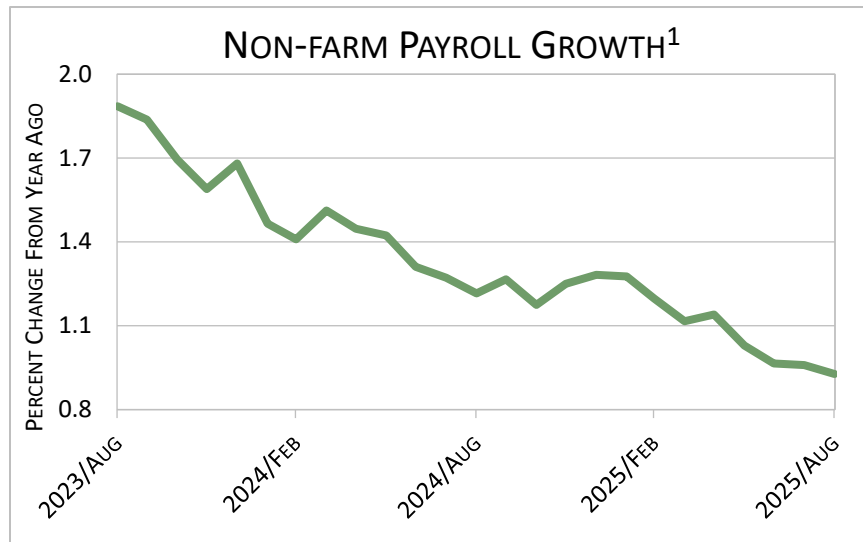
NOTABLE EVENTS

- The Federal Reserve (Fed) lowered the fed funds target rate by a quarter of a percentage point in September.
- The U.S. reached trade deals with some key trading partners including Japan and Europe, but the tariff picture remains cloudy with deals with other countries still in negotiation and new product specific levies being added.



THIRD QUARTER HIGHLIGHTS

THE LABOR MARKET HAS SLOWED WHICH SHIFTED THE FED'S ASSESSMENT OF RISKS

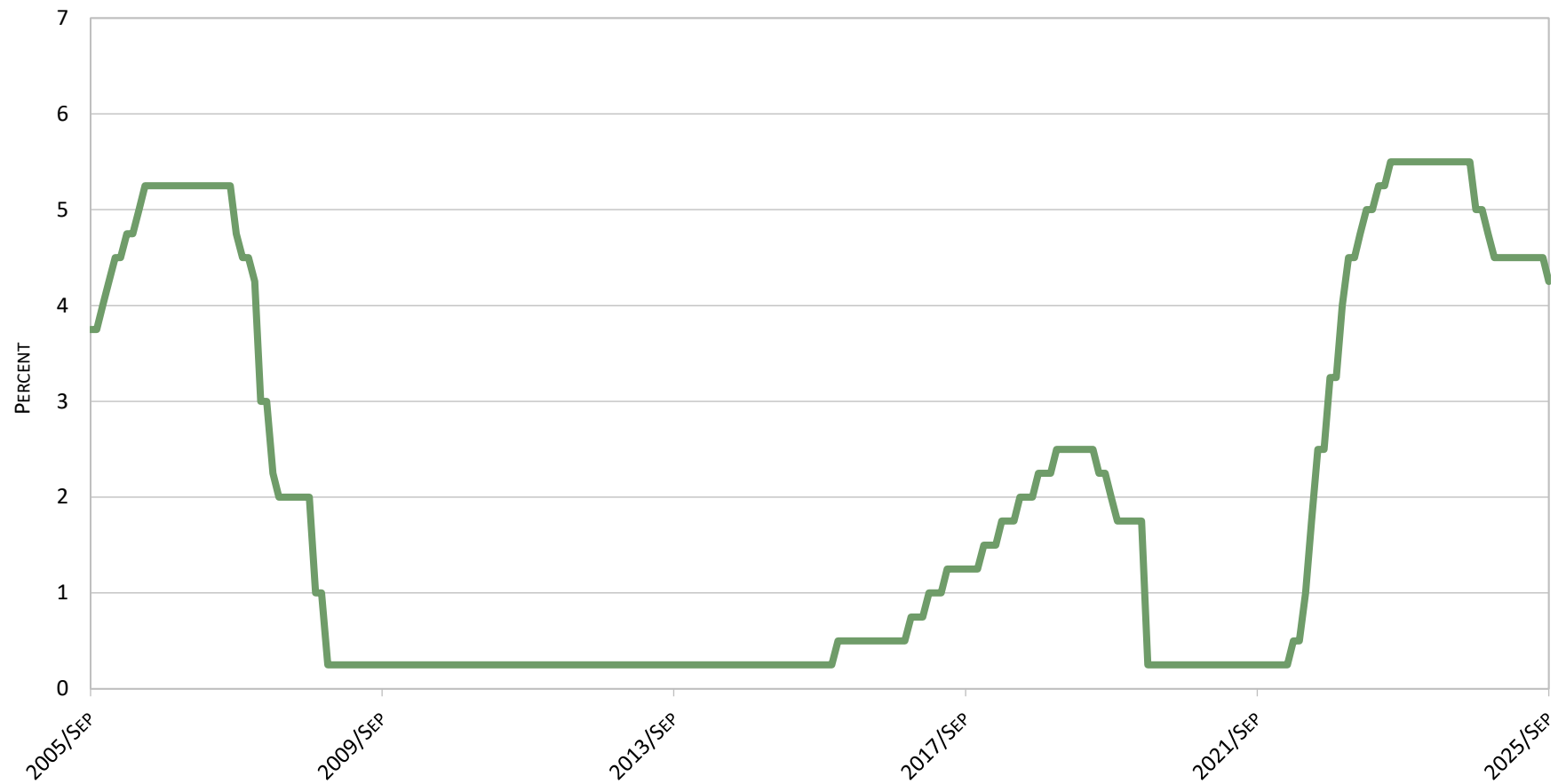


THIRD QUARTER HIGHLIGHTS

THE FED CUT ITS TARGET INTEREST RATE BY A QUARTER PERCENTAGE POINT

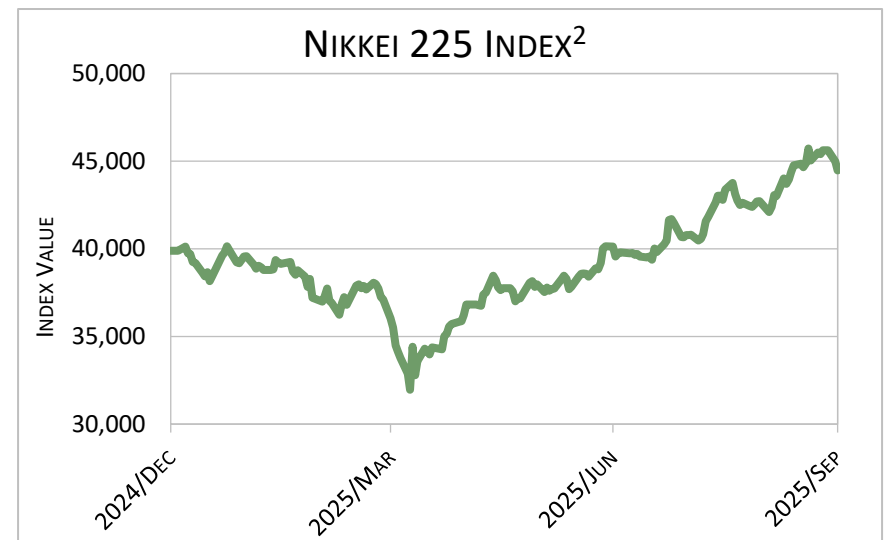
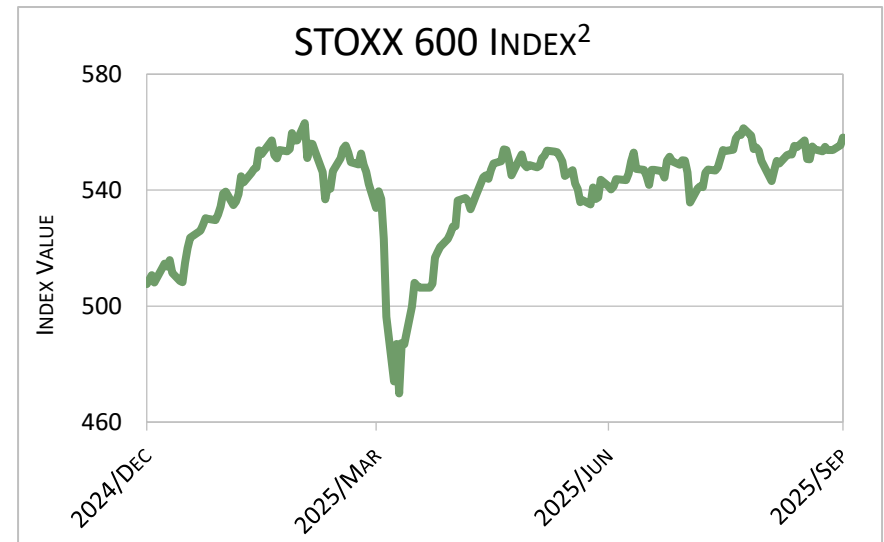
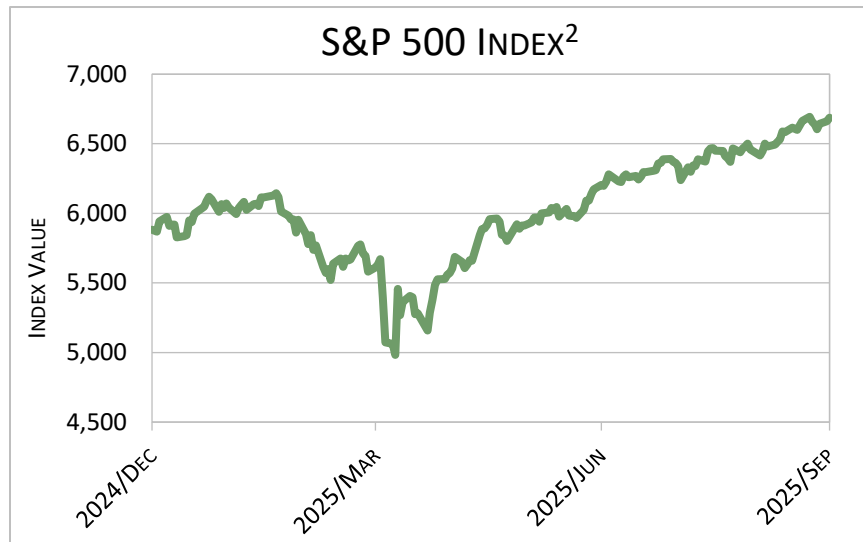
The Fed made the first change to the federal funds rate in 2025 at its September meeting. The Fed cut the target range by a quarter percentage point. The new target range is 4.00% - 4.25%. Comments by Fed chair Powell indicated the move was a “risk management” step to support the weakening labor market.

FEDERAL FUNDS TARGET RATE²



THIRD QUARTER HIGHLIGHTS

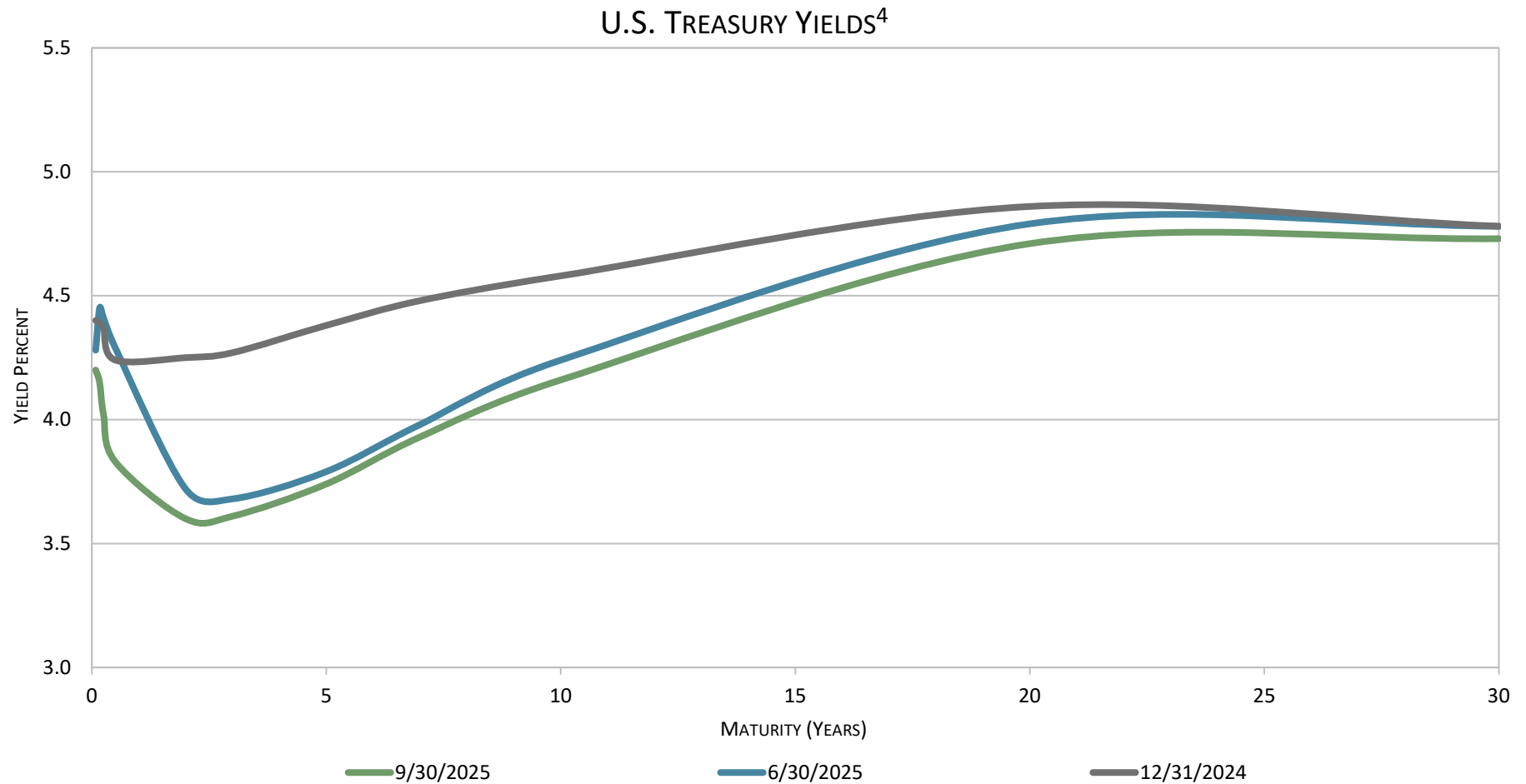
GLOBAL EQUITY MARKETS ADVANCED WITH SEVERAL HITTING MULTI-YEAR OR ALL-TIME HIGHS



THIRD QUARTER HIGHLIGHTS

BOND YIELDS DECLINED ACROSS THE MATURITY CURVE AS THE FED BEGAN TO EASE MONETARY POLICY

Yields came down during the quarter especially on the short end of the maturity curve in anticipation of interest rate cuts before year-end. Yields are down sharply compared to the end of 2024. The lower bond yields led to lower mortgage rates which resulted in a modest boost to the housing market and refinancings.

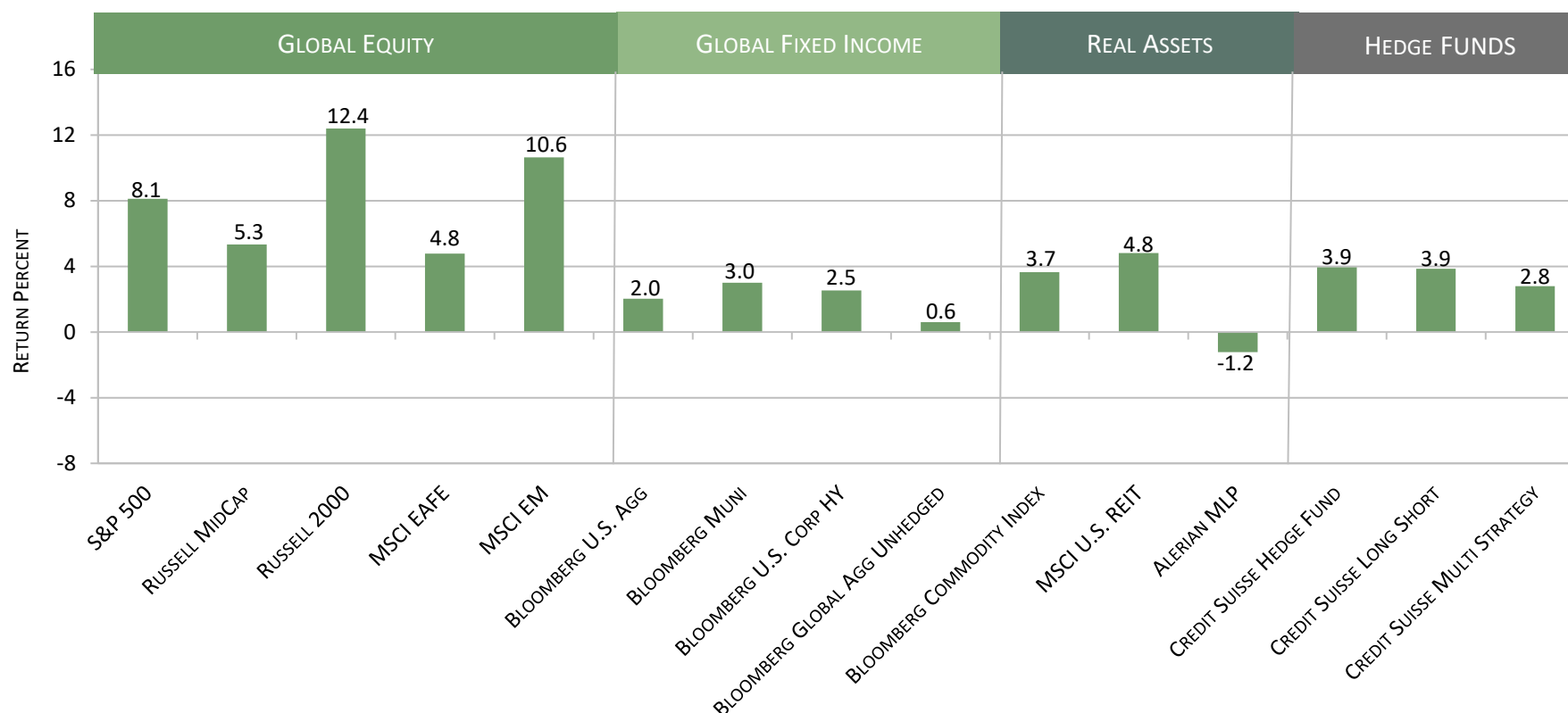


THIRD QUARTER HIGHLIGHTS

MOST ASSET CLASSES HAD A POSITIVE RETURN FOR THE QUARTER WITH EQUITIES LEADING

Enthusiasm for AI related stocks and expectations for a rate cut by the Fed drove prices in most asset classes higher. AI optimism, easing trade tensions, and strong cash inflows fueled the emerging markets index to a double-digit gain. The rate cut optimism drove the more interest rate sensitive small-cap index to the top return for the quarter. Higher production by OPEC hurt MLPs.

MARKET RETURNS: THIRD QUARTER 2025⁵

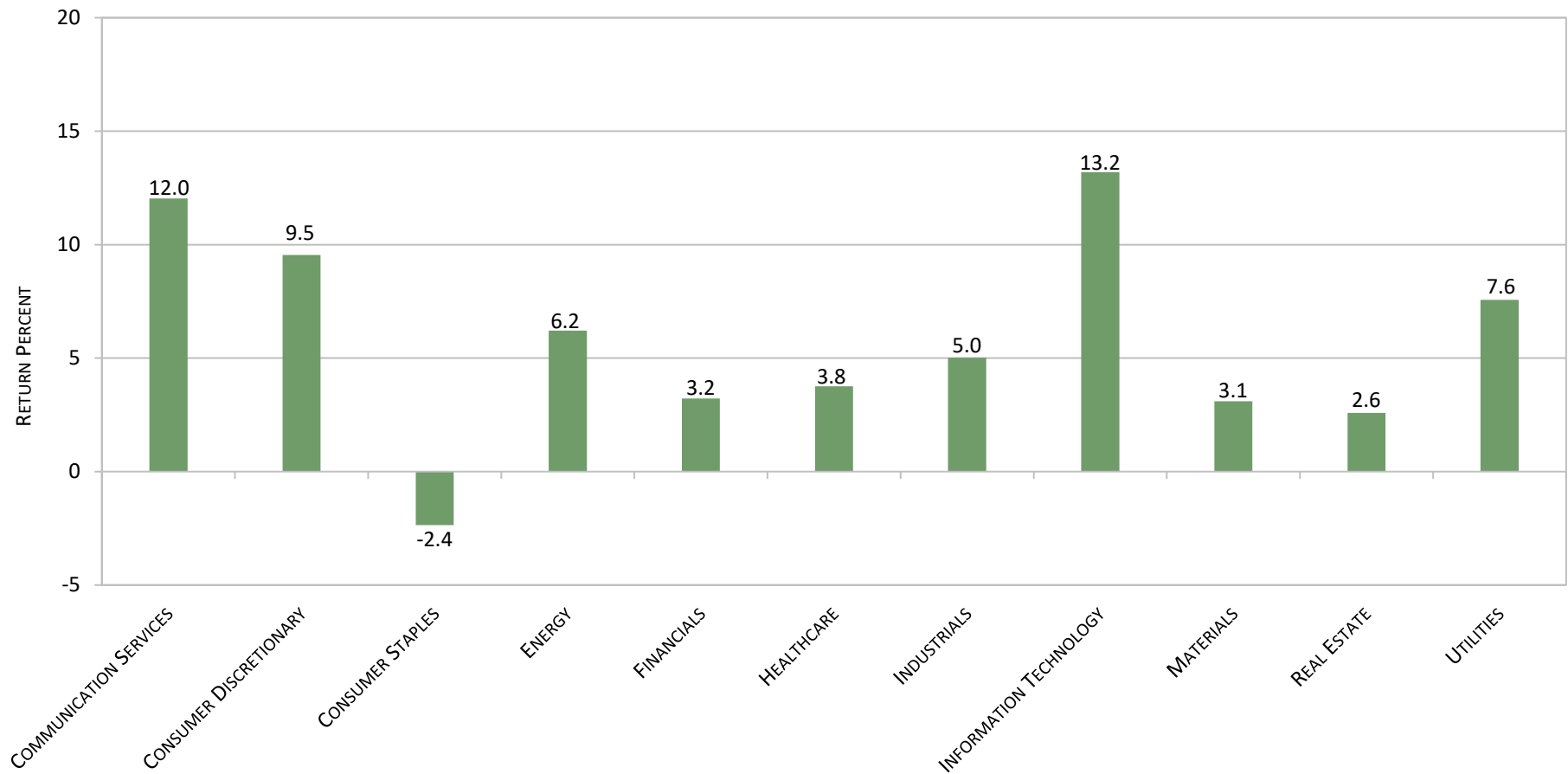


THIRD QUARTER HIGHLIGHTS

GROWTH SECTORS LED FOR THE SECOND CONSECUTIVE QUARTER FUELED BY AI ENTHUSIASM

Investors continued to favor growth stocks and any AI related stocks including energy and utilities over more defensive stocks as capital spending on AI projects continues to surge while inflation and economic growth uncertainty pressured the outlook for other sectors.

S&P 500 SECTOR RETURNS: THIRD QUARTER 2025⁵

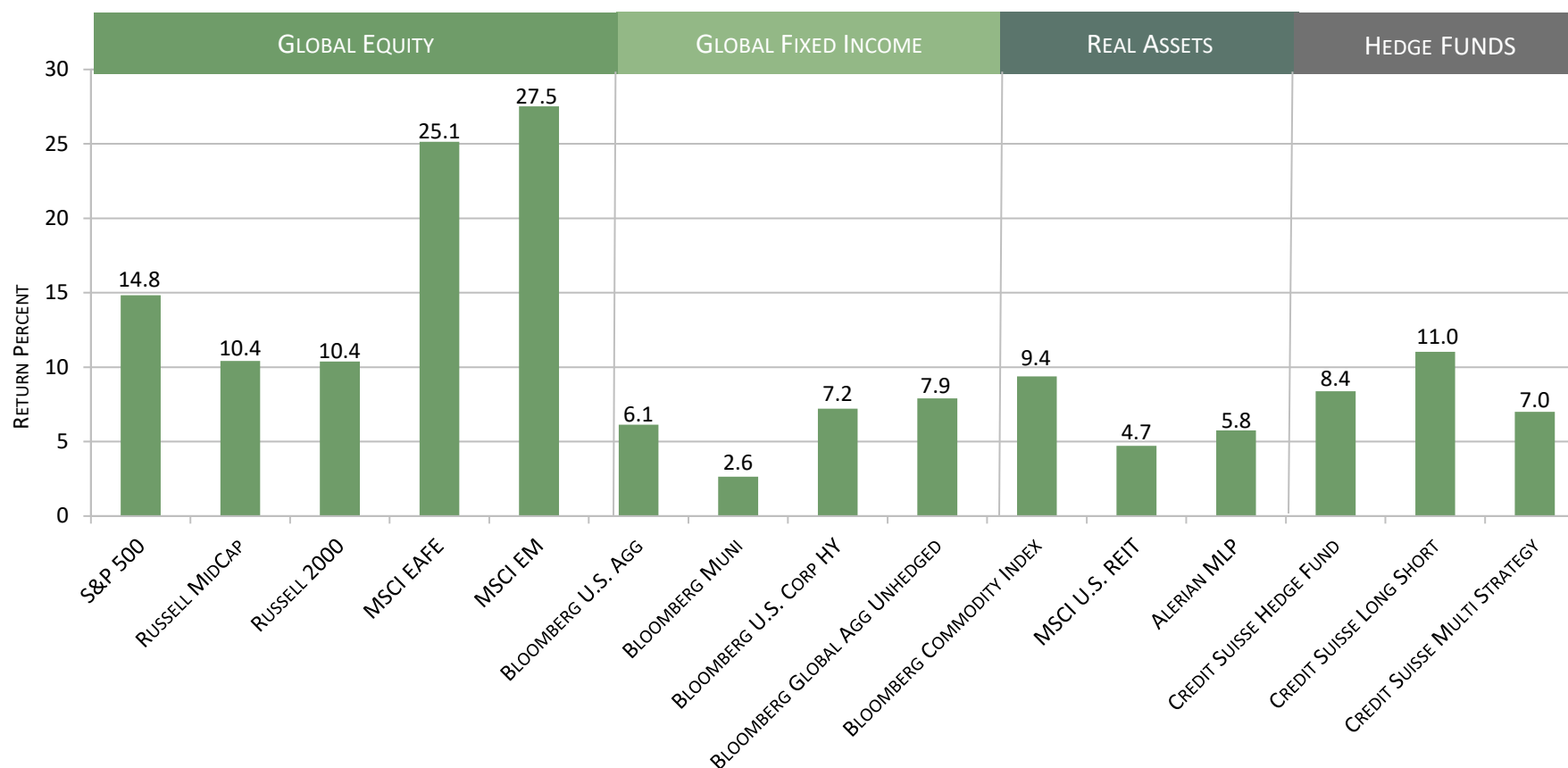


THIRD QUARTER HIGHLIGHTS

YEAR-TO-DATE RETURNS ARE POSITIVE ACROSS ALL ASSET CLASSES

Various global equity indices hit new all time highs in 2025, despite tariff and geopolitical uncertainty, which drove major indices to double-digit gains. Non-U.S. equity returns had a further boost from the declining dollar. Solid corporate fundamentals and interest rate cuts fueled bond returns. Multiple record highs for gold from safe haven and central bank demand fueled the rally in the commodity index.

MARKET RETURNS: FIRST NINE MONTHS 2025⁵

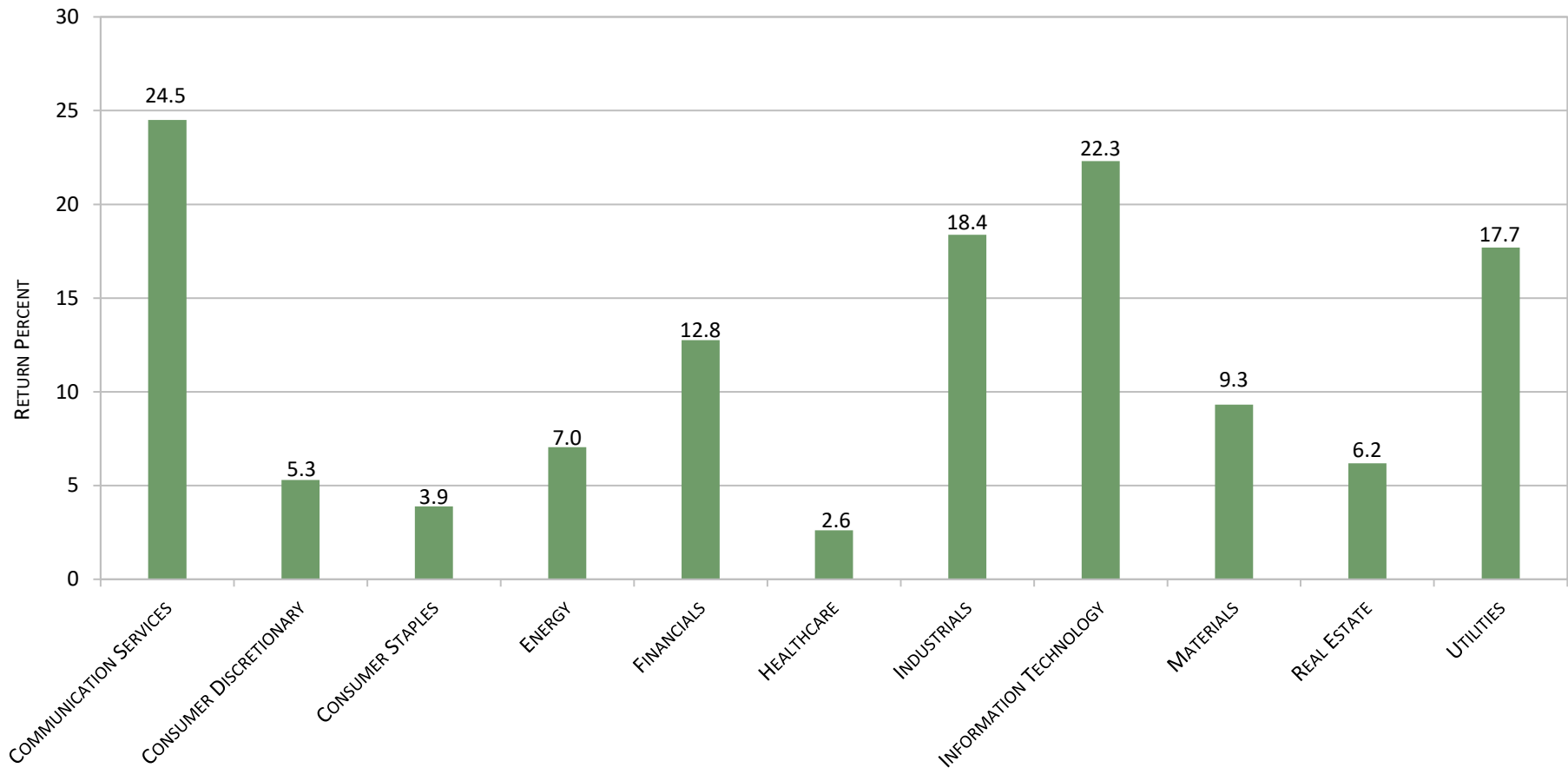


THIRD QUARTER HIGHLIGHTS

AI ACTIVITY AND RATE CUT OPTIMISM DROVE SOME SECTORS TO DOUBLE-DIGIT GAINS FOR THE YEAR-TO-DATE

Top equity sector returns were driven by AI projects and expectations for a boost to earnings from interest rate cuts. Healthcare is the laggard for 2025 due to uncertainty about Trump administration policies on drug pricing and tariffs, company specific issues, and rising costs. High interest rates and the impact of inflation on consumer spending and margins dampened results for the consumer sectors.

S&P 500 SECTOR RETURNS: FIRST NINE MONTHS 2025⁵



OUTLOOK

INVESTORS ARE NAVIGATING POSITIVES AND RISKS AMID HEIGHTENED VALUATIONS AND SHIFTING POLICY

- As is often the case, capital market participants are currently navigating various cross currents.
 - On the positive side, corporate earnings have been resilient for the most part, AI investment is providing a boost to companies in various industries and is driving expectations for increased productivity across the global economy, and businesses and consumers are looking forward to the benefits of declining interest rates. Fiscal stimulus is another positive in various countries, such as the tax breaks in the One Big Beautiful Bill in the U.S. and commitments to increase defense and infrastructure spending in other major economies.
 - On the risks side, questions remain about the flow through of tariff impacts, the U.S. labor market is clearly slowing which could dampen spending and investment, and inflation continues to be sticky. There could be additional pressure on consumer spending from the restarting of U.S. student loan payment requirements. Fiscal challenges caused by high debt levels to support lavish social spending programs are driving longer-term interest rates higher and causing political upheaval in various countries, notably France, Japan, and the U.K.
- Given these cross currents, the Fed has said it is in a difficult spot trying to balance its dual mandate of steady prices and full employment. Based on recent comments, the Fed is likely to focus on supporting labor markets. Therefore, additional interest rate cuts are likely, which would provide a needed boost to interest rate sensitive sectors such as housing, as well as to business investment in capital equipment and expansion. Various other central banks are continuing to ease monetary policy to support their economies.
- Valuations across financial markets, especially equities and precious metals, are elevated after the rally to record highs since the Liberation Day lows. Therefore, markets could be choppy in reaction to disappointing tariff news, central bank comments, economic data reports or corporate leader comments. Diversification across regions and asset classes is likely to be beneficial.

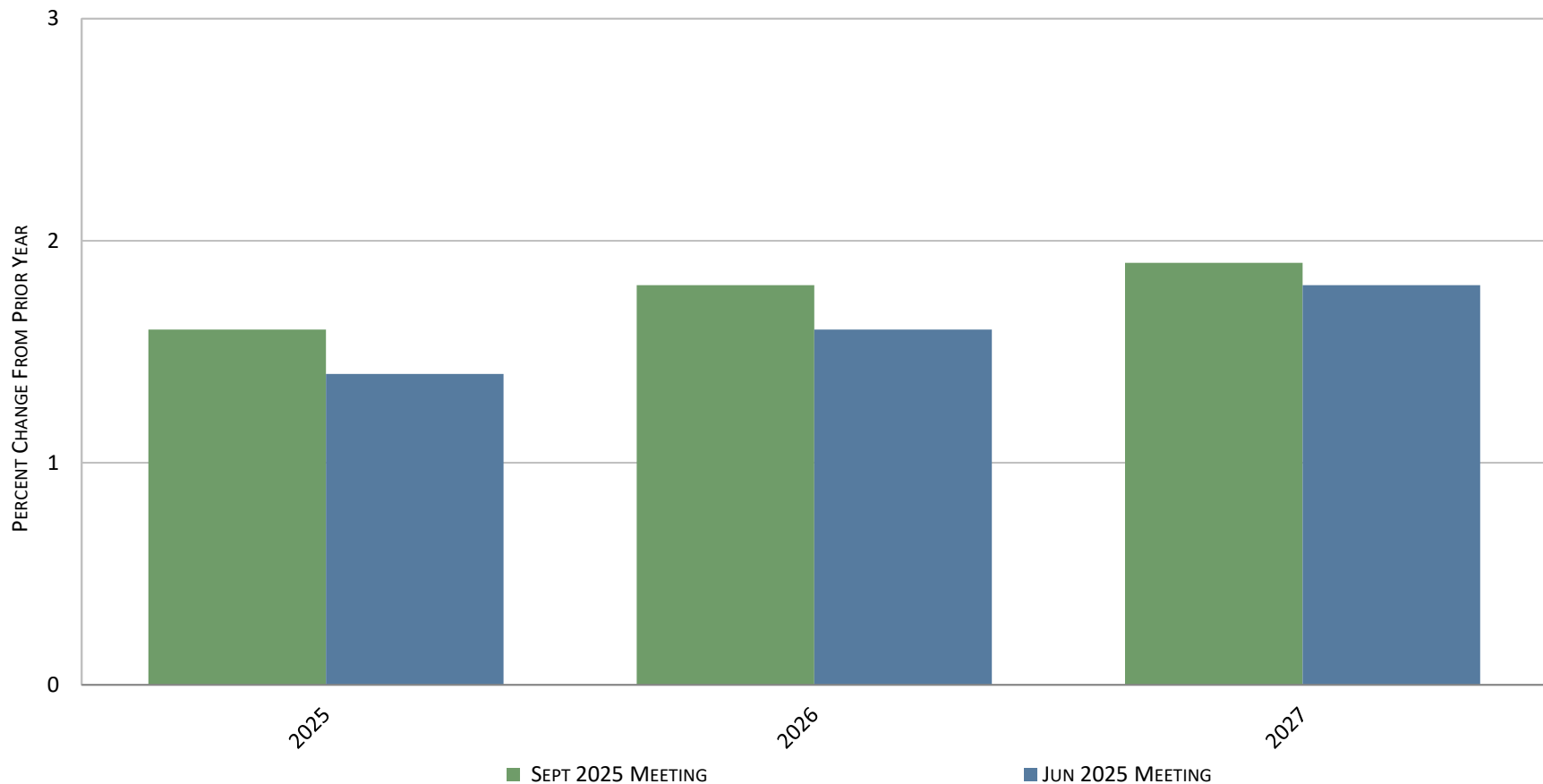


OUTLOOK

THE FED'S NEW PROJECTIONS ARE MORE OPTIMISTIC SHOWING MODEST BUT IMPROVING ECONOMIC ACTIVITY

The latest projections for economic activity rose modestly from the June projections. The projections point to no recession and a gradually improving economic growth rate for the coming years. However, Chair Powell noted there is considerable uncertainty underlying the forecasts due to factors such as unresolved tariff deals and a weakening labor market.

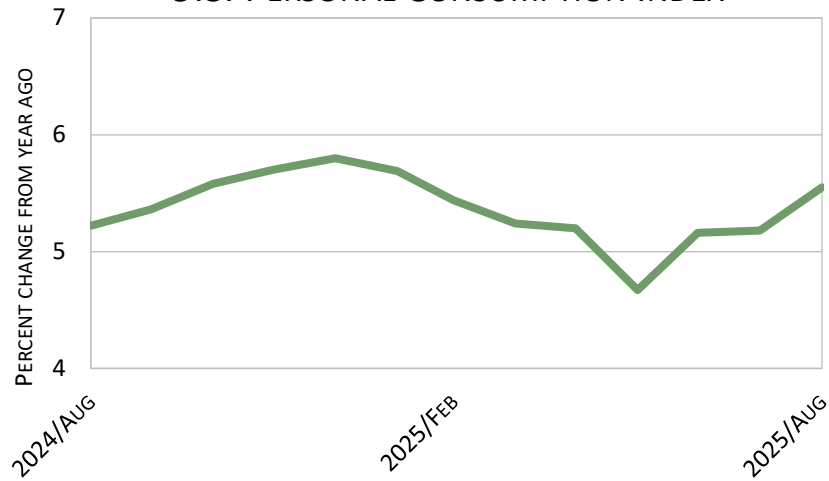
FEDERAL RESERVE REAL GDP PROJECTIONS⁶



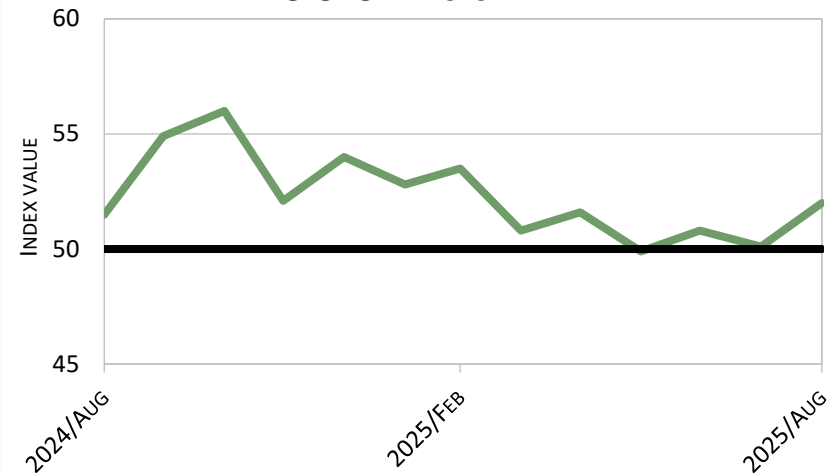
OUTLOOK

PARTS OF THE U.S. ECONOMY ARE TRENDING UP

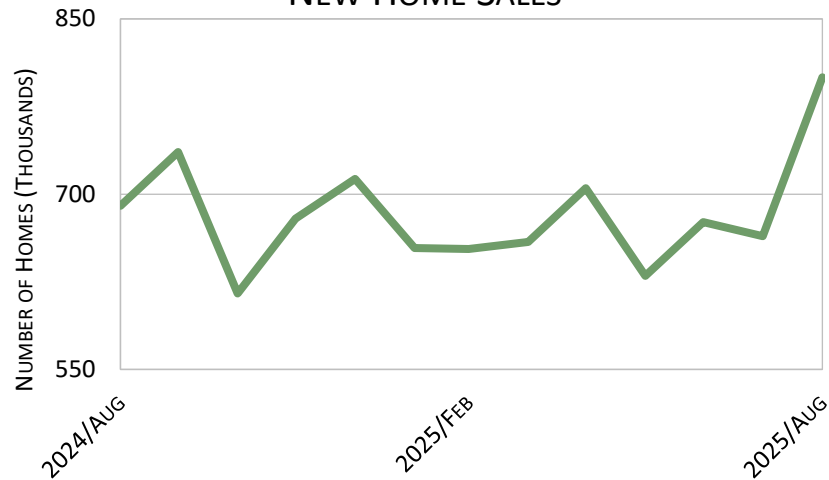
U.S. PERSONAL CONSUMPTION INDEX²



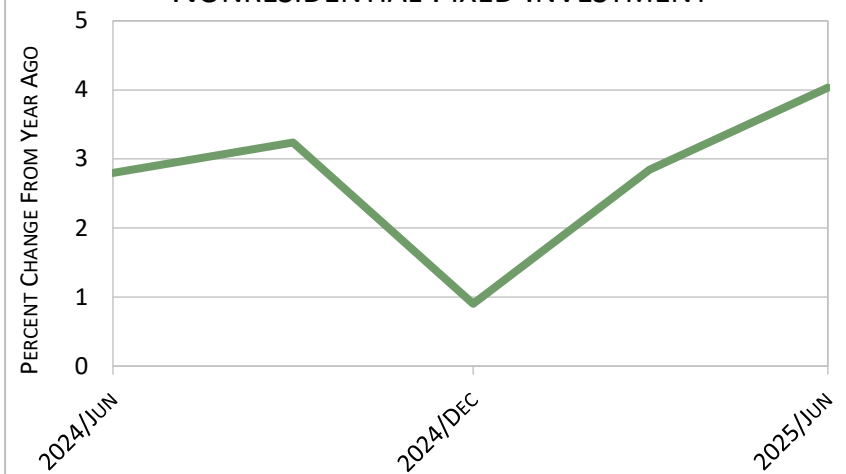
U.S. SERVICES PMI²



NEW HOME SALES²



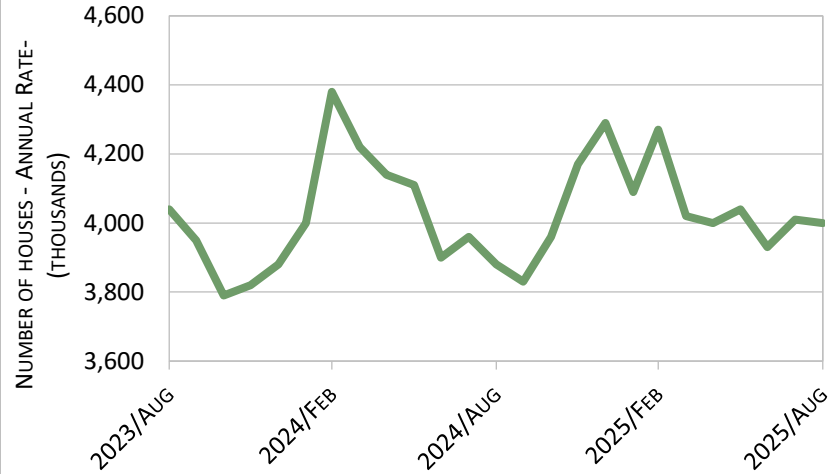
NONRESIDENTIAL FIXED INVESTMENT²



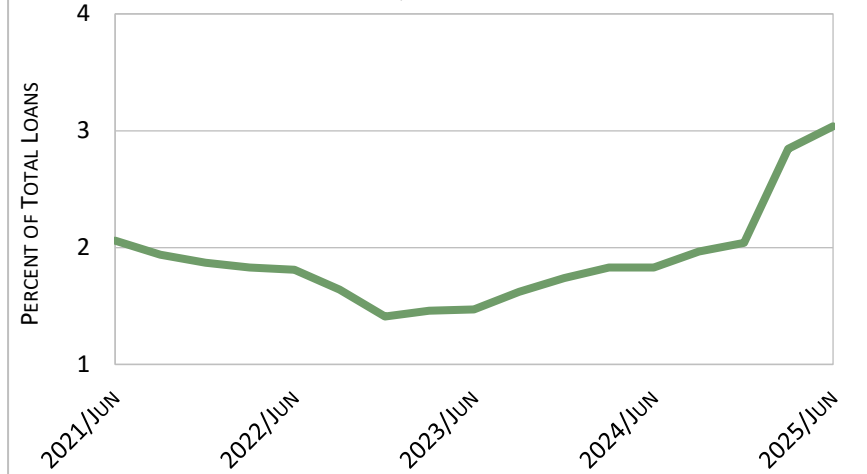
OUTLOOK

OTHER DATA SHOWS GROWTH HEADWINDS

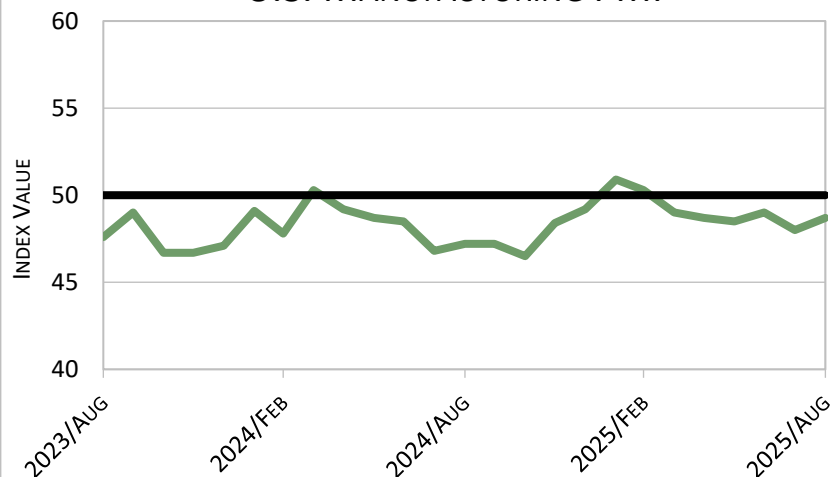
EXISTING HOME SALES²



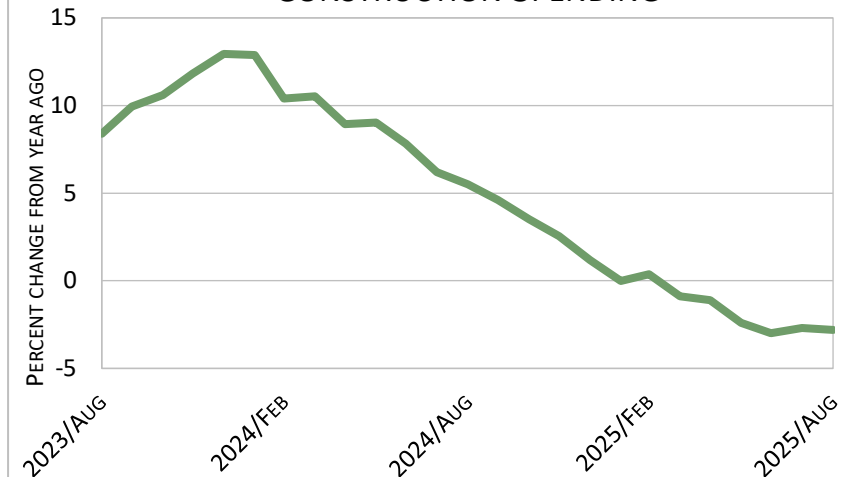
NEWLY DELINQUENT LOAN BALANCES⁷



U.S. MANUFACTURING PMI²



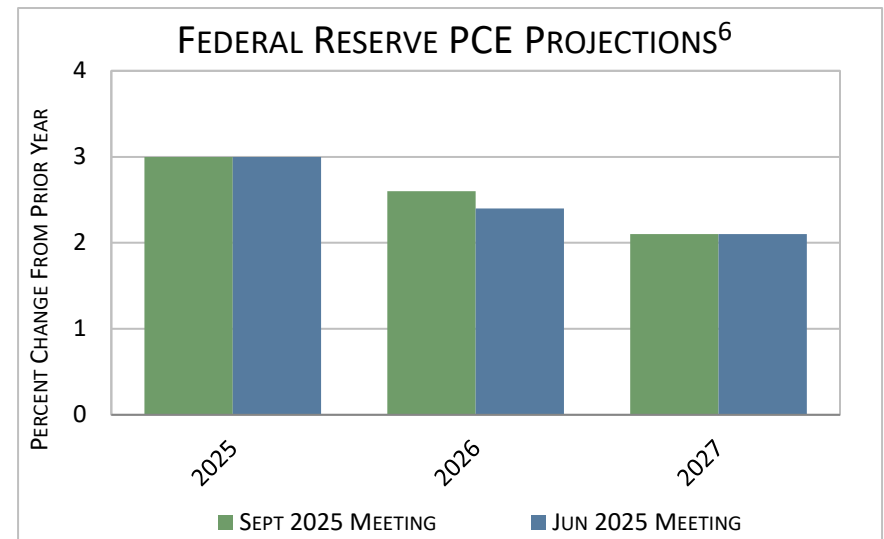
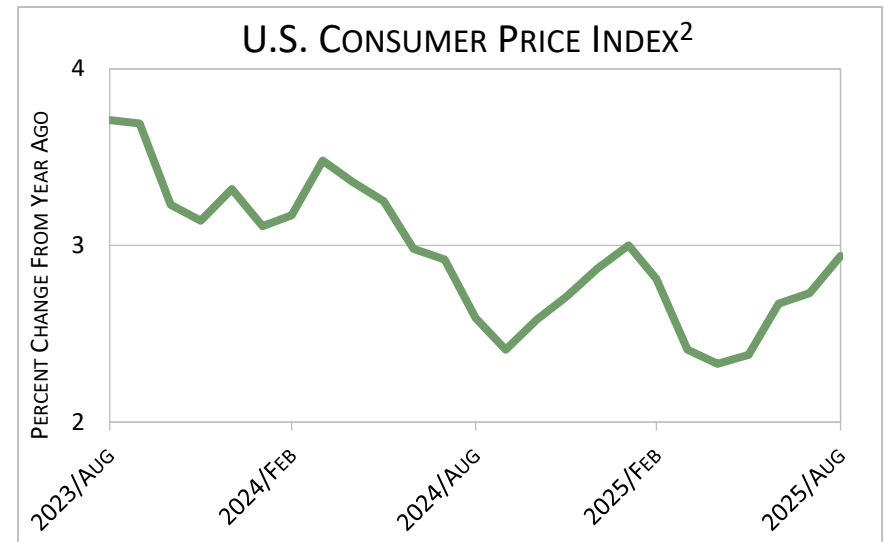
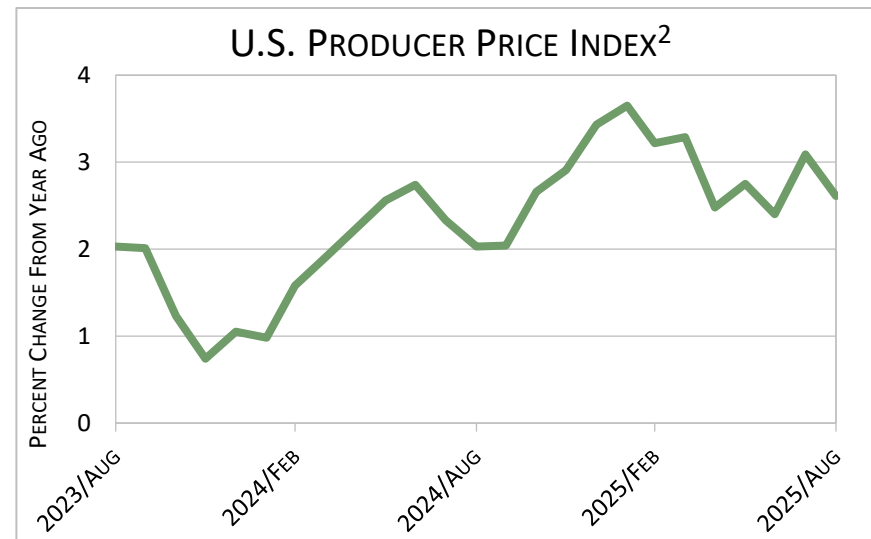
CONSTRUCTION SPENDING²



OUTLOOK

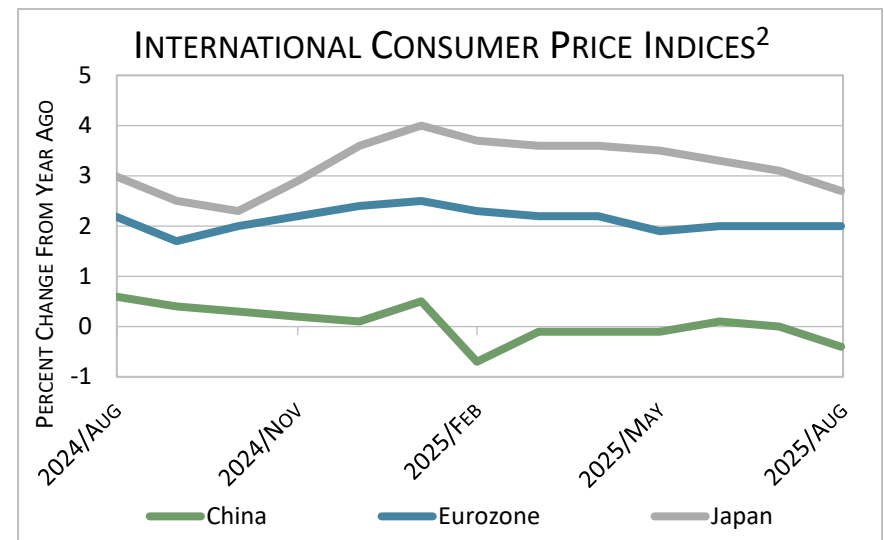
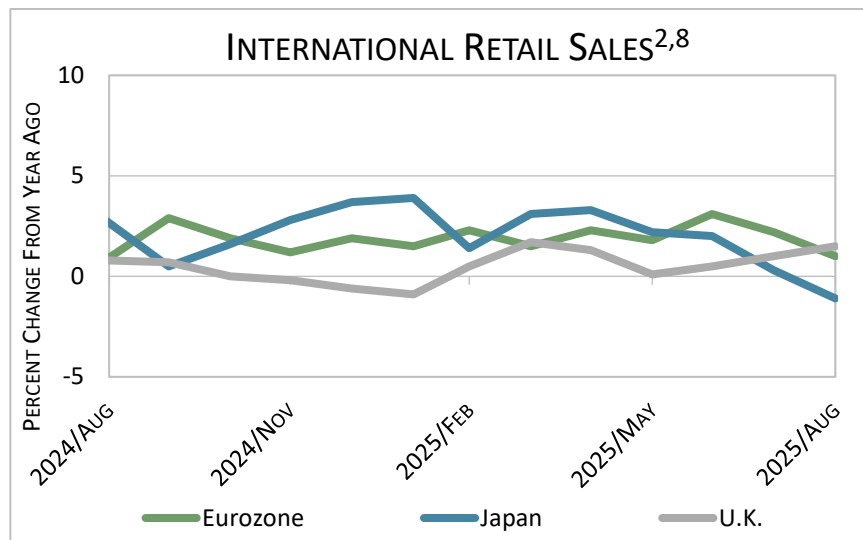
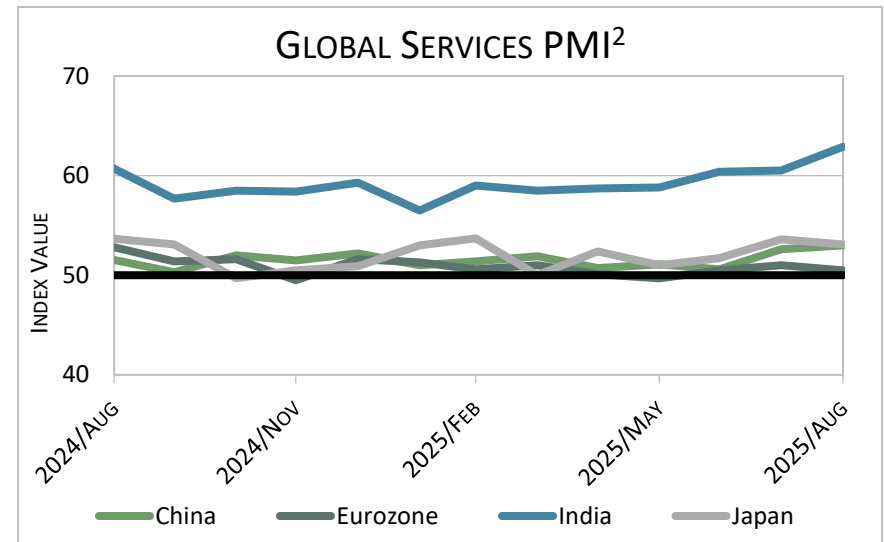
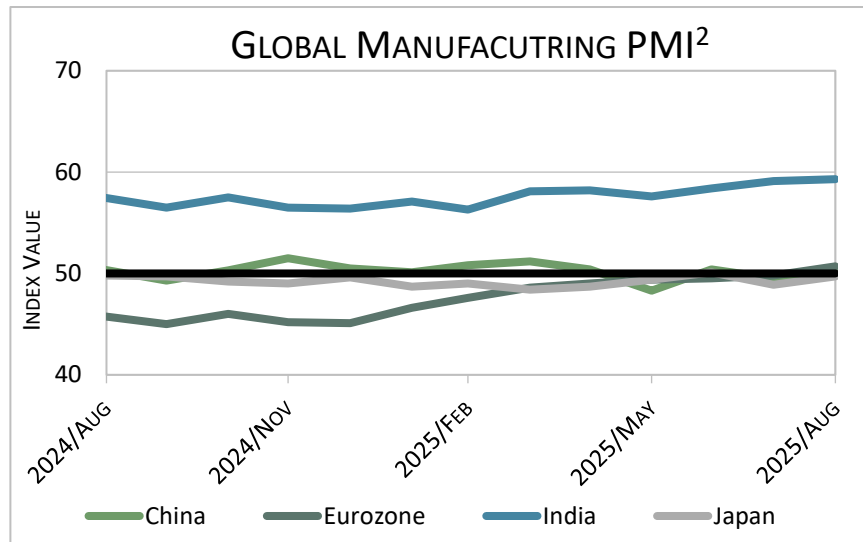
INFLATION IS STILL A QUESTION MARK FOR SENTIMENT, EARNINGS, AND THE INTEREST RATE OUTLOOK

The rate of inflation remains above the Fed's target of 2%. The consumer price index (CPI) has been trending higher in the second half of the year while changes in producer prices have been more mixed. The Fed's projections for inflation in 2026 ticked up at the September meeting. There still is uncertainty about the impact tariffs will have on price levels which is complicating the Fed's decision making on interest rate policy.



OUTLOOK

ECONOMIC DATA OUTSIDE U.S. IS ALSO MIXED



OUTLOOK

CENTRAL BANKS ARE EASING MONETARY POLICY DUE TO RISKS TO GROWTH AMID MODERATING INFLATION

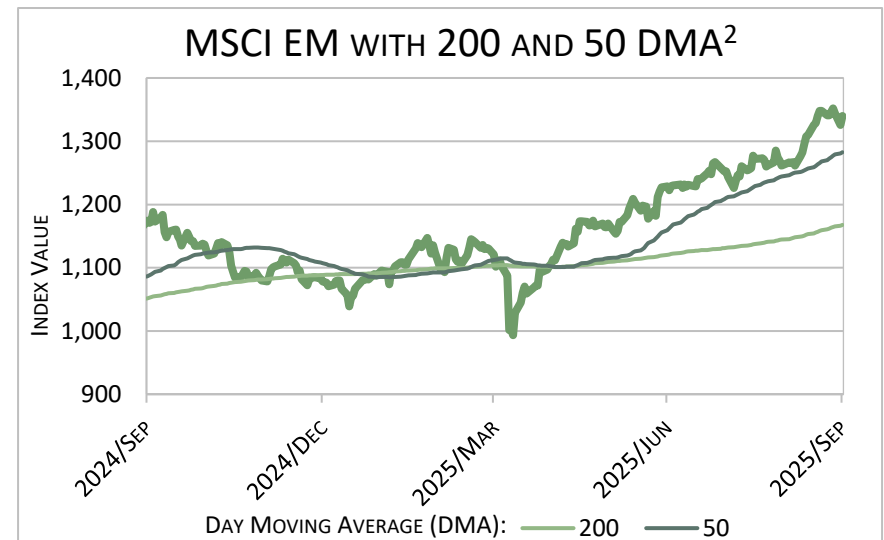
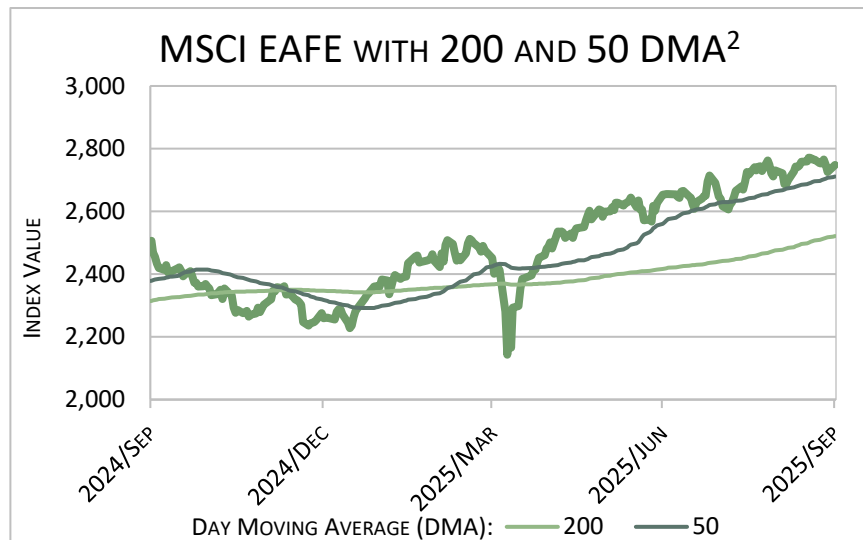
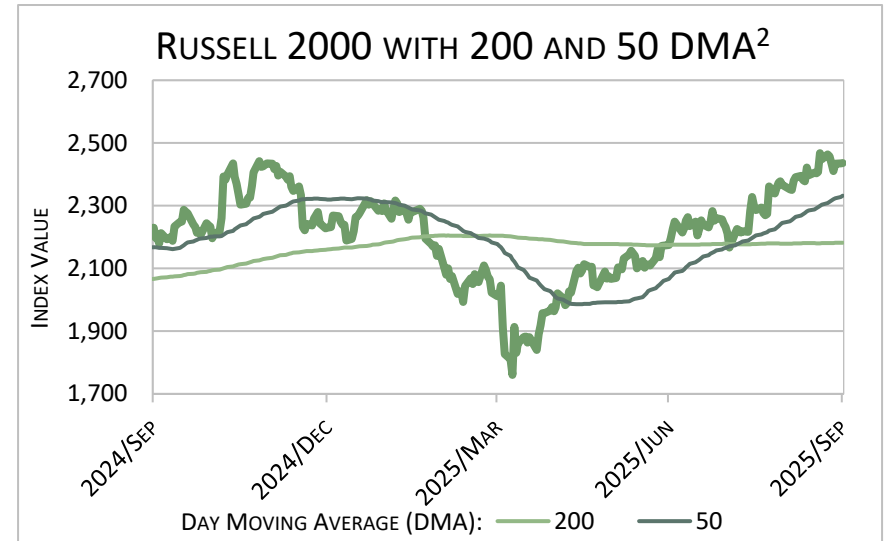
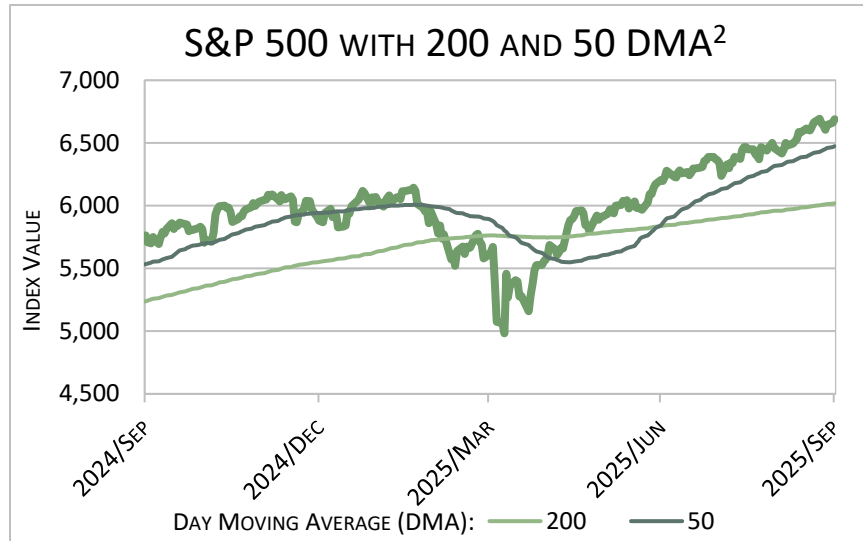
SELECT MONETARY POLICY HEADLINES IN THE THIRD QUARTER

COUNTRY	POLICY DECISION
Australia	Lowered its rate in August to 3.6%.
Canada	Cut its rate to 2.5% in September.
Chile	Cut its rate in July to 4.75%.
England	Lowered its rate by a quarter percentage point to 4.0% in August.
Indonesia	Cut its rate by a quarter percentage point in July, August, and September. Rate now 4.75%.
New Zealand	Cut its rate by a quarter percentage point to 3.0% in August.
Norway	Lowered its rate by a quarter percentage point to 4.0% in September.
Mexico	Cut is rate in August and September to lowest level since 2022. Rate now 7.5%.
Poland	Cut is rate in both July and September to lowest level since 2022. Rate now 4.75%.
Sweden	Lowered its repo rate to 1.75% in September.



OUTLOOK

TECHNICAL AND SENTIMENT INDICATORS ARE BULLISH BUT MOMENTUM POINTS TO OVERBOUGHT CONDITION



VOGEL TACTICAL RECOMMENDATIONS

NEUTRAL VIEW ON MOST ASSET CLASSES. RETAIN OVERWEIGHT TO CASH DUE TO VOLATILITY RISK.

ASSET CLASS	ACTION	COMMENTARY
Domestic Large-Cap Equity	EQUAL WEIGHT	Artificial intelligence related productivity gains and capital expenditures are likely to boost earnings. Valuations are elevated and sticky inflation pressures, stretched consumers, and trade policy uncertainty are risks to earnings growth. Easing monetary policy likely will provide some support to economic activity and therefore earnings.
Domestic Mid-Cap Equity	EQUAL WEIGHT	Fed policy easing should support various sectors helping offset risks from sticky inflation, tariff impacts, and a stretched consumer. Secular trends are supportive for some sectors. Valuations are generally not as stretched as in certain large-cap sectors.
Domestic Small-Cap Equity	EQUAL WEIGHT	Deregulation, Fed cuts, and a pick-up in acquisition activity may provide a boost to small-cap prices, but macroeconomic and inflation uncertainty increases volatility risk.
International Developed Equity	EQUAL WEIGHT	Government stimulus measures are expected to provide a boost especially to European industrial and materials sectors. Valuations still at a discount to U.S. equity markets. Dollar weakening benefits to U.S. investor returns may be easing.
International Emerging Market Equity	UNDERWEIGHT	Tariff uncertainty is easing as more deals have been reached. Rate cuts in several countries could provide a boost to growth. More Chinese stimulus may be coming but structural issues remain in that economy. Dollar weakening benefits to U.S. investor returns may not be as advantageous as earlier in the year.
Fixed Income	EQUAL WEIGHT	The high yields are a source of income and diversification. Fundamentals are solid so default risk is low, but valuations are high and Fed cuts may limit price appreciation.
Hedge Strategies	UNDERWEIGHT	The flexibility to position for various risk scenarios can provide return opportunities, but rapid and sharp market swings can be challenging for some strategies.
Real Assets	EQUAL WEIGHT	High income potential for real estate assets is attractive. Demand and a weaker dollar are driving prices for precious metals but valuations are high.
Cash	OVERWEIGHT	Yields are attractive. Cash still provides a hedge against macro risks.



QUARTERLY MARKET REPORT

DISCLOSURES

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Sources: *Number below corresponds to the superscript notation in chart titles and text blocks*

Sources:

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2. Telemet America, Inc.
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