Quarterly Investment Report

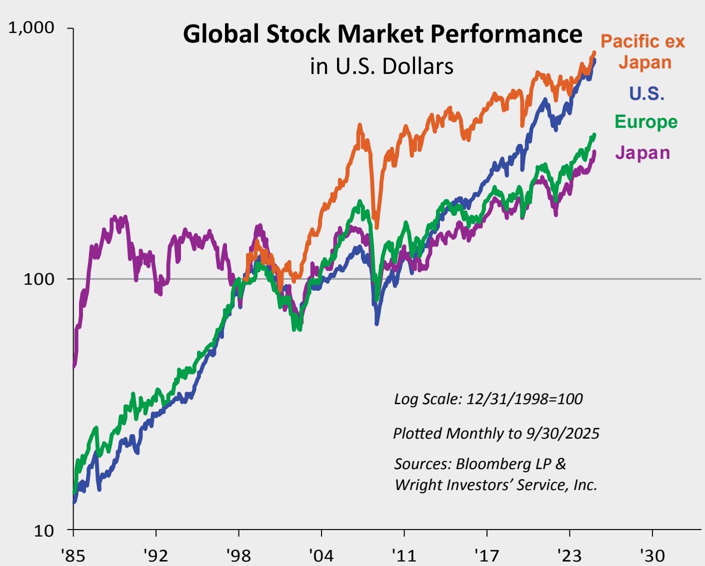
October 2025

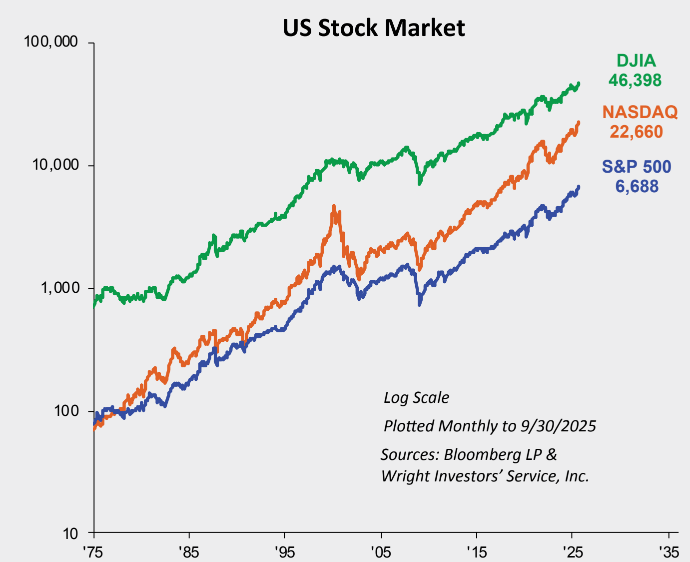
U.S. equities delivered strong gains in Q3 2025, with the S&P 500 advancing +8.1% and the Nasdaq Composite surging +11.4%, extending year-to-date momentum. The Dow Jones rose to a modest +5.7%. Small-Cap Value led performance, up +11.7%, followed by Large-Cap Growth, which climbed +9.8%. Information Technology (+13.2%), Telecom (+12.0%), Consumer Discretionary (+9.5%), and Energy (+6.2%) drove sector gains, while Consumer Staples (-2.4%) lagged. International equities advanced, led by China (+20.7%) and Emerging Markets (+10.6%). The U.S. dollar recovered modestly against most currencies. Bonds gained, with US Aggregate up +2.0% and US High Yield up +2.5%. Treasury yields were mixed following announced rate cuts. Commodities showed mixed results, with Gold rising +16.1%, while Copper fell -3.4% and Crude Oil declined -4.2%. MSCI US REIT Index rebounded +4.5% amid lower interest rates. Economic data pointed to moderating growth as the S&P Global Flash US Composite PMI eased to 53.6 in September. Labor market gains slowed, with just +22,000 non-farm payrolls added in August and unemployment at 4.3%. The Fed cut rates by 25bps to 4.00%–4.25% to support economic growth, while noting that inflation (Core PCE 2.9%) remained elevated, maintaining a data-dependent stance amid persistent price pressures.

Stock Market

U.S. equities delivered robust gains in the third quarter of 2025, building on the momentum established earlier in the year. The S&P 500 rose +8.1% for the quarter, while the technology and innovation-focused Nasdaq Composite outperformed with a +11.4% gain. The Dow Jones Industrial Average posted a more modest +5.7% return, reflecting continued divergence between growth and value. Large-Cap Growth stocks maintained their leadership, gaining +9.8%, while Large-Cap Value advanced +6.2%. Small-Cap Value emerged as the best performer with an impressive +11.7% gain, showing investors' optimism and valuation opportunities in this underappreciated segment. Mid-Caps lagged modestly, with Growth up +5.6% and both Value and Core up +5.5%.

Sector trend reflected clear leadership from technology and growth-oriented industries. Information Technology surged +13.2%, driven by strength in semiconductors, software, and cloud infrastructure, supported by ongoing AI-related investment.





Telecommunications climbed +12.0% amid 5G infrastructure buildout and improving pricing power. Consumer Discretionary gained +9.5%, underscoring resilient consumer spending despite elevated interest rates. Energy rose +6.2%, rebounding on improved demand and stable pricing. Defensive sectors lagged. Consumer Staples fell -2.4%, marking the weakest sector, as investors rotated into growthier sectors. Real Estate gained +2.1%, hinting at recovery potential post rate cuts. Materials (+3.1%), Financials (+3.2%), and Healthcare (+3.8%) trailed due margin pressure and regulatory uncertainty. All S&P 500 companies reported earnings, with positive aggregate earnings surprises in every sector except Materials. Revenue surprises, however, were positive across all sectors.

International equities also delivered solid returns during the quarter. The Developed World ex-U.S. Index rose +5.3%, with Europe ex-UK up +3.0%, the UK +5.9%, and Japan +8.0%, the latter benefiting from corporate governance reforms and stronger shareholder returns. The Pacific ex-Japan region climbed +5.3%. Emerging Markets outperformed with an impressive +10.6% rise, driven by China's +20.7% surge following significant policy stimulus from Beijing. The U.S. dollar recovered modestly against the Euro (+0.5%), Japanese Yen (+2.7%), British Pound (+2.1%), and Swiss franc (+0.4%), but slipping -0.6% versus the Chinese Renminbi.

Bond Market

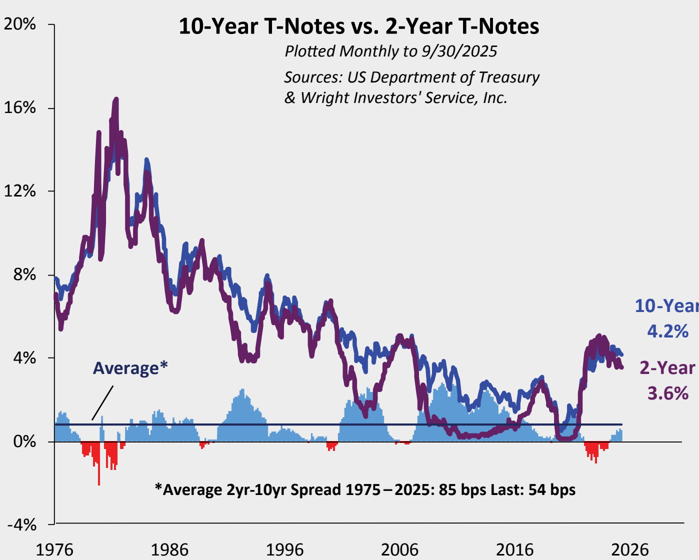
The Bloomberg US Aggregate gained +2.0%, while the Bloomberg US High Yield Bond Index outperformed with +2.5% gain. Short-term Treasury bills, measured by the Bloomberg US 3-Month T-Bills Index, rose a modest gain of +1.1%. Outside the U.S., the Bloomberg Global Aggregate ex-USD Index fell slightly (-0.6%). Treasury yield moved unevenly: the 2-year Treasury declined −10 bps to 3.61%, while the 5-year rose to 3.74%. Intermediate yields edged lower, with the 10-year at 4.15%, reflecting confidence in future rate cuts. Longer-term yields also decreased, with the 30-year Treasury falling -20bps to 4.73%, signaling lower term premium expectations. Breakeven inflation rates declined, with the 2-year BE at 2.63% and the 10-year BE at 2.37%, pointing to modestly easing inflation expectations. Overall, bonds underperformed equities and commodities.

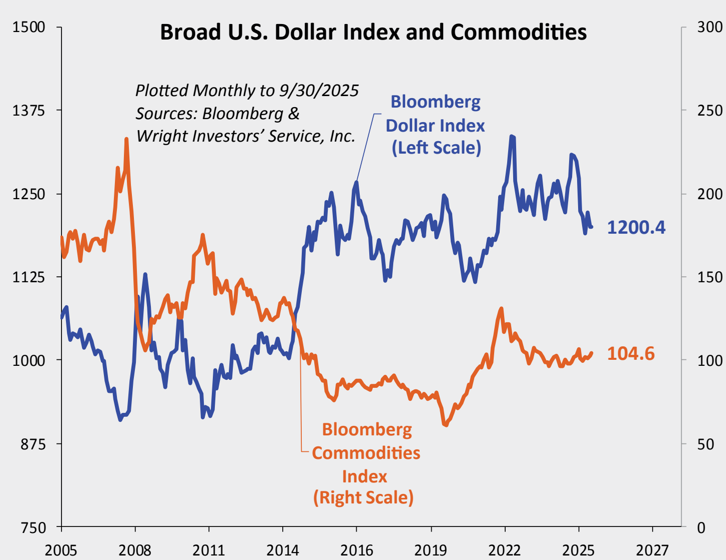
Alternatives

Commodities posted mixed results, with the Bloomberg Commodities Index up +3.6%. Gold led, soaring +16.1% on geopolitical tensions, a softer dollar, and safe-haven demand. Copper fell −3.4% but remains poised for an all-time high after a catastrophic mudslide shut down Indonesia's Grasberg mine, the world's second-largest copper producer, causing major supply disruption. Crude Oil declined −4.2%, pressured by temporary OPEC+ oversupply, slower refinery runs, and seasonal weakness, despite resilient global energy demand. Natural Gas fell −4.4%, Corn −1.2%, and Wheat −3.9%. Real estate rebounded, with the MSCI US REIT Index up +4.5%, supported by lower borrowing costs, easing mortgage rate pressures, and favorable interest rate dynamics.

US Economy

U.S. business activity growth slowed for a second consecutive month in September, according to Flash PMI data, as softer demand weighed on manufacturing and services. The S&P Global Flash U.S. Composite PMI eased to 53.6 from 54.6, signaling moderation but ongoing expansion.





Services remained the key growth driver, though new orders rose at the slowest pace in three months, with the Flash US Services PMI falling to 53.9 from 54.5. Manufacturing output expanded for a fourth month but at a slower pace; the S&P Global US Manufacturing PMI slipped to 52.0 from 53.0 as new orders softened amid tariff-related export declines. Employment continued to expand, albeit at a slower pace, while inventories of finished goods rose at the fastest pace in 18 years, underscoring softening demand. Input costs stayed elevated, but firms' pricing power weakened, marking the slowest selling price growth since April. Despite these headwinds, business confidence improved, buoyed by expectations that lower interest rates will offset policy and risks.

Labor market data pointed to continued signs of moderation. The unemployment rate ticked up to 4.3% in August from 4.2% in July, while the labor force participation rate rose slightly to 62.3%. Non-farm payrolls grew by just +22,000 down from +79,000 in July. Job gains in health care (+31K) and social assistance (+16K) were partially offset by losses in federal government (−15K) and energy extraction (−6K). The overall labor market remained steady but faces mounting downside risk.

On September 17, 2025, the Federal Open Market Committee (FOMC) cut its benchmark rate by 25 basis points, marking the first cut in over a year. The current target federal funds rate is now in the range of 4.00%-4.25%. The decision reflected slowing growth, persistent inflation, and rising employment risks. Inflation remained sticky, with headline PCE at 2.7% year-over-year (up from 2.6%) and Core PCE steady at 2.9%, well above the Fed's 2% target. Chair Powell noted that higher tariffs have lifted goods prices, while services inflation is moderating.

Housing remained subdued, but showed pockets of resilience in August. Existing home sales dipped -0.2% to 4.00 million units after July's +2.0% gain. Housing starts fell -8.5%, while new home sales rose to +800,000 units from +664,000 in July. Building permits increased to 1.33 million, signaling future construction activity. Chair Powell reiterated that high mortgage rates and affordability challenges persist but gradual relief may come as borrowing costs decline.

Investment Outlook

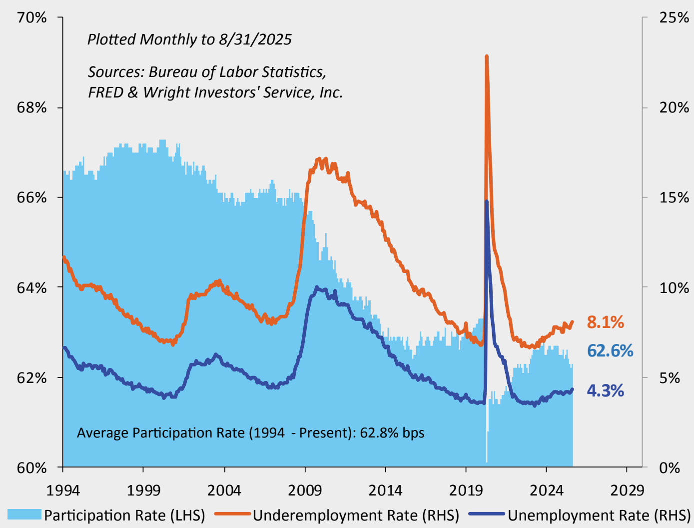
September's output capped the strongest quarter of 2025 for U.S. business activity, though momentum has cooled since July and hiring has softened. Demand weakness and tariff-driven input costs continue to constrain pricing power and drive record inventory buildups. However, sentiment improved on expectations that lower interest rates will cushion economic and policy headwinds. The Federal Reserve's recent decision to lower the federal funds rate to a range of 4.00%–4.25% marks a pivotal shift towards a more neutral stance aimed at sustaining growth. Historically, such moves boost sentiment by easing credit conditions and improving profitability. Although unemployment remains low, job creation has slowed to an average of just +29,000 monthly over the past quarter. The rate cut aims to stimulate hiring and offset labor softness, though inflation persistence remains a key challenge.

The U.S. Economy 2022–2025

		% Change In			End of Period Rates	
		Real GDP*	PCE Core Deflator*	Profits from Operations#	90-Day T-Bills	10-Year T-Notes
2022	Q1	**-1.0%**	**6.1%**	**48.3%**	**0.5%**	**2.3%**
	Q2	0.6%	4.9%	37.1%	1.6%	3.0%
	Q3	2.9%	5.1%	21.0%	3.2%	3.8%
	Q4	2.8%	4.7%	12.9%	4.3%	3.9%
2023	Q1	**2.9%**	**4.7%**	**4.6%**	**4.7%**	**3.5%**
	Q2	2.5%	4.0%	1.8%	5.3%	3.8%
	Q3	4.7%	2.4%	-1.5%	5.4%	4.6%
	Q4	3.4%	2.1%	-1.1%	5.3%	3.9%
2024	Q1	**0.8%**	**4.0%**	**0.9%**	**5.4%**	**4.2%**
	Q2	3.6%	2.9%	2.8%	5.4%	4.4%
	Q3	3.3%	2.4%	6.9%	4.6%	3.8%
	Q4	1.9%	2.7%	7.8%	4.3%	4.6%
2025	Q1	**-0.6%**	**3.3%**	**10.5%**	**4.3%**	**4.2%**
	Q2	3.8%	2.6%	11.9%	4.3%	4.2%
	Q3 e	1.7%	3.0%	12.0%	3.9%	4.2%
	Q4 e	1.2%	3.2%	11.3%	3.8%	4.2%

e: Bloomberg Consensus Estimates; *: Quarter-Over-Quarter Annual Rates; #: Year-Over-Year Change in S&P500 EPS Sources: Bloomberg LP, Wright Investors' Service, Inc.

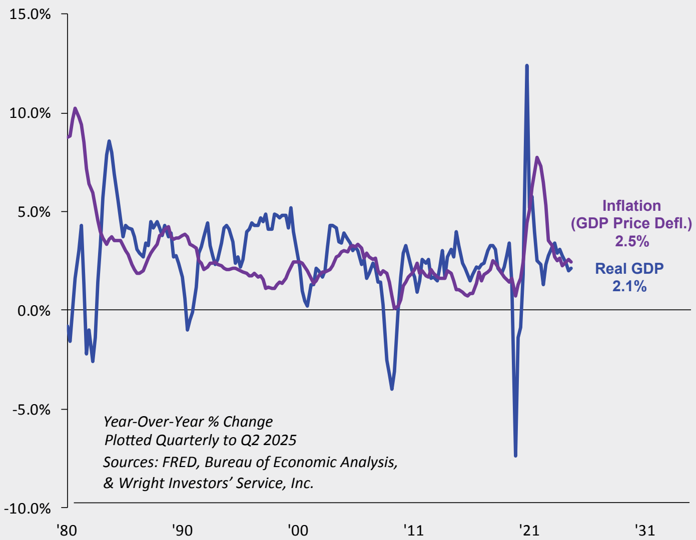
U.S. Employment



U.S. equities continued to rally, with the S&P 500 setting new highs, supported by strength in IT, telecom, consumer discretionary, and energy. Technology benefited from AI, cloud infrastructure, and data center demand; telecom from expanding connectivity; consumer discretionary from resilient spending; and energy from disciplined supply management. These drivers sustained momentum and drew institutional investments.

Looking ahead, the outlook for 2025 is cautiously optimistic. While U.S. economic growth is moderating, a combination of targeted Fed easing, resilient leading sectors, and stable labor trends supports continued expansion. Inflation and geopolitical risks may still spark volatility, reinforcing the need for disciplined and diversified asset allocation. Focus on high-quality assets and strategic selectivity remains key to navigating evolving market conditions with resilience and long-term perspective.

Real GDP vs. Inflation



Global Investment Returns In U.S. Dollars

	Q3 2025		Trailing 12 Months	
	Stocks	Bonds	Stocks	Bonds
U.S.	**8.0%**	**2.0%**	**17.7%**	**2.9%**
Canada	9.7%	-0.7%	24.4%	-1.4%
Mexico	13.2%	6.2%	32.5%	9.1%
Japan	**8.0%**	**-3.6%**	**16.4%**	**-8.4%**
Pacific ex Japan	5.3%	-0.2%	9.7%	1.1%
Australia	3.5%	1.1%	2.7%	-1.5%
China	20.7%	-0.4%	30.8%	1.7%
Hong Kong	9.1%	0.2%	18.9%	5.0%
Europe	**3.6%**	**0.3%**	**15.1%**	**6.5%**
France	3.2%	-1.3%	11.5%	3.5%
Germany	-1.1%	-0.3%	25.3%	3.6%
Italy	8.3%	0.1%	36.7%	8.5%
Netherlands	9.6%	-0.3%	15.8%	4.0%
Spain	12.9%	0.6%	46.6%	7.1%
Switzerland	1.4%	1.3%	7.9%	8.1%
U.K.	5.9%	-2.1%	17.7%	0.0%
World	**7.3%**	**0.6%**	**17.2%**	**2.4%**
World ex U.S.	5.3%	-0.6%	16.0%	1.9%

Sources: MSCI Stock & Bloomberg Barclays Bond Indexes as of 9/30/2025