



Q4 OUTLOOK

10/2025

Q4 Outlook: Executive Summary



Slowing Growth and Inflation

Economic growth and inflation are both slowing, leading to a more cautious environment for businesses and investors.

Federal Reserve Policy Uncertainty

The Federal Reserve may need to act more quickly to support economic growth, as current measures lag behind changing conditions.

Investor Sentiment and Risks

While risk appetite is positive, major bankruptcies could trigger fears and market instability among investors.

Opportunities in Real Assets

Diversifying into real assets is key, as they offer resilience amid heavy AI reliance in financial markets.



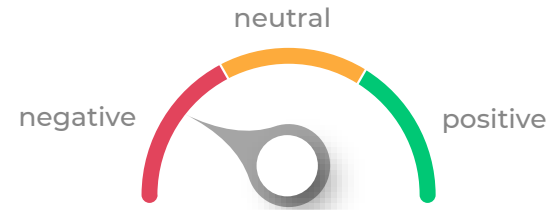
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INDICATOR

TREND

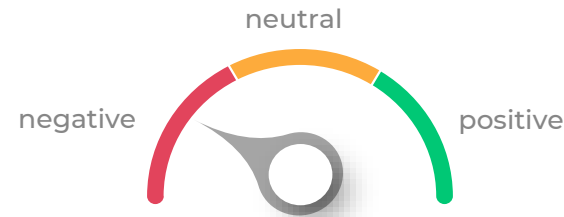
COMMENTS

EXPECTED RETURNS



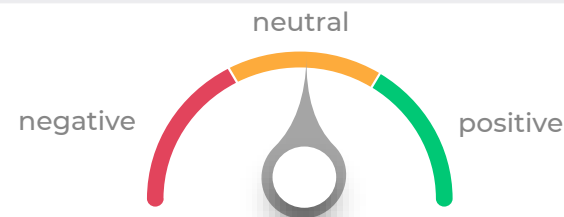
US stocks remain at negative risk premiums relative to Treasury bonds. Investors are not being compensated adequately for investing in the S&P 500.

BUSINESS CYCLE



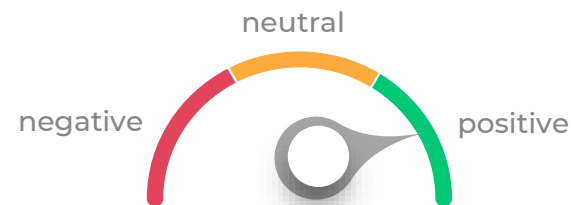
Leading indicators remain in a negative trend on a year-over-year basis. Coincident indicators are trending lower as well, although they remain positive year-over-year.

MONETARY POLICY



The Federal Reserve has halted interest rate cuts despite deteriorating economic conditions. We believe monetary policy remains restrictive.

MARKET TRENDS



Market trends are positive after a substantial rebound in markets driven by better trade news and record dip buying by retail market participants.

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Market Recap – Third Quarter 2025

Broad Equity Markets

	QTD	YTD	Sep	Aug	Jul	1YR
S&P 500	8.12	14.83	3.65	1.66	2.78	18.18
NASDAQ 100	9.01	18.10	5.47	0.38	3.07	24.48
Dow Jones Industrial	5.67	10.47	2.00	2.66	0.79	10.21
Russell 2000	12.39	10.39	3.11	6.16	1.90	-0.05
FTSE Developed International	5.91	26.87	2.41	3.33	-0.48	16.05
FTSE Emerging International	10.14	22.46	5.96	1.44	1.20	17.59
Bloomberg US Aggregate Index	2.03	6.13	1.09	1.23	0.09	3.94
S&P GSCI	4.07	6.09	0.65	-0.95	3.16	10.15
Bitcoin	6.07	21.49	5.17	-6.87	9.59	77.68
Gold	16.36	46.61	11.55	3.78	0.83	38.01

Interest Rates

	Levels as of:	Last four months:				6 Months Ago	1 Year Ago
		9/30/2025	8/31/2025	7/31/2025	6/30/2025	3/30/2025	9/30/2024
3 Month Treasury Yield		4.24	4.30	4.46	4.45	4.35	4.73
2 year Treasury Yield		3.65	3.83	4.10	3.96	4.04	3.66
10 Year Treasury Yield		3.80	3.92	4.14	3.98	4.11	3.81
30 Year Treasury Yield		4.72	4.92	4.89	4.78	4.64	4.14

Top Style

Micro Cap

QTD

17.14

Top Factor

Size

QTD

12.58

Top Sector

Tech

QTD

12.66

Top Fixed Income Sector

Convertible Bonds

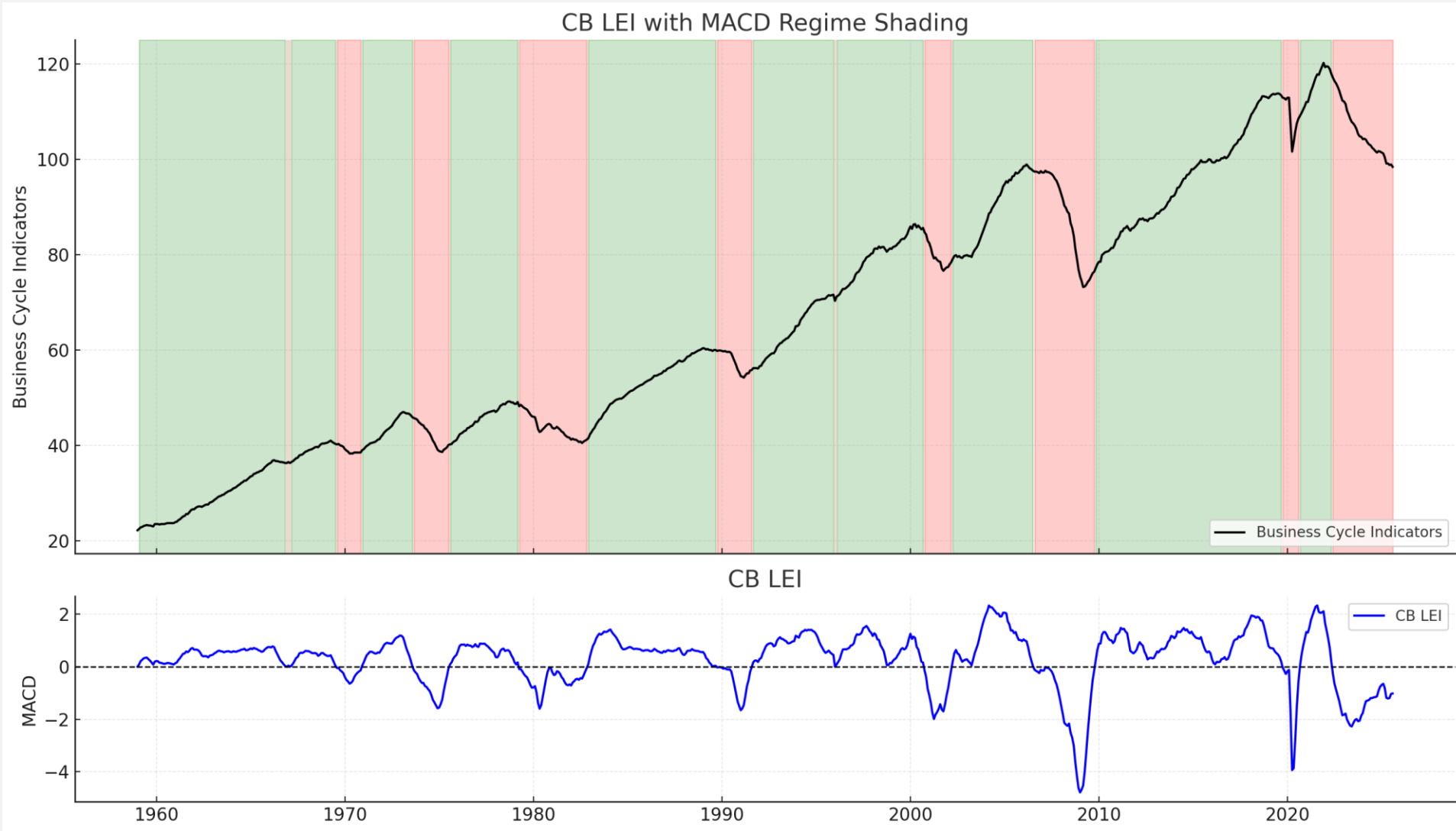
QTD

12.03

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GROWTH IS SLOWING

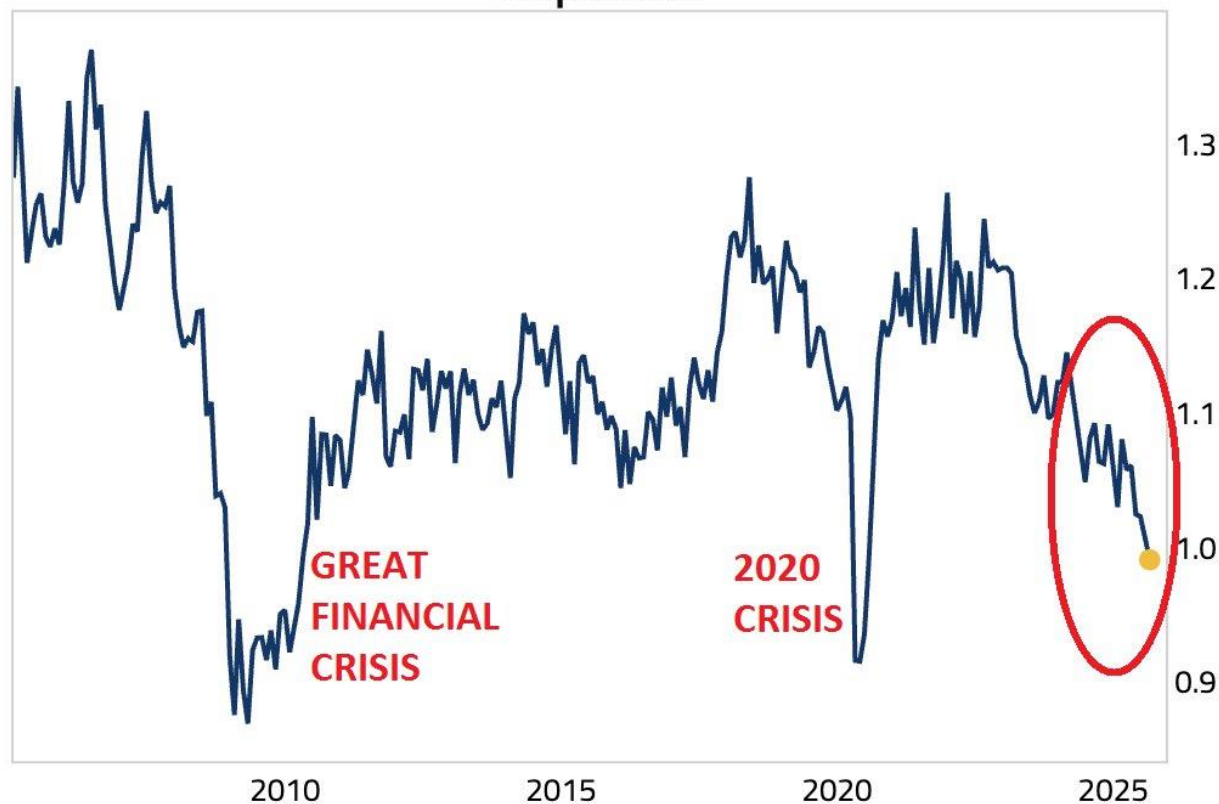


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...AND LIKELY TO GET WORSE IN THE SHORT-RUN

Cass Freight Index (SA)

Shipments



 Augur Infinity

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CREDIT CRACKS ARE EMERGING



Bloomberg @business · Oct 3

An initial review of bankrupt subprime **auto** lender Tricolor's records shows that at least 29,000 loans pledged to creditors were tied to vehicles already securing other debts



Tricolor Records Show Same Cars Tied to Thousands of Loans

From bloomberg.com



Finance News @ftfinancenews · 2h

US justice department launches inquiry into **First Brands Group**

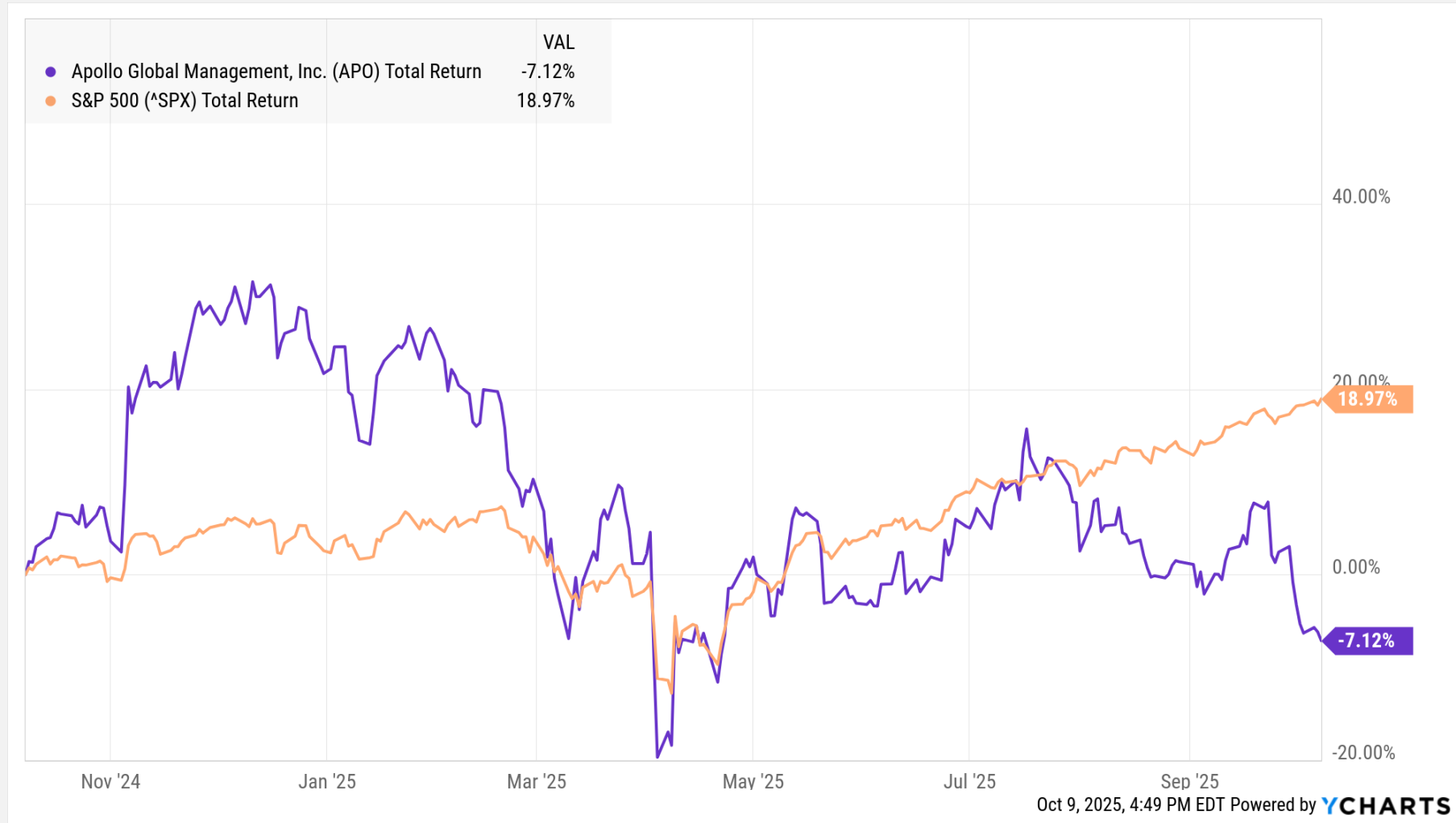


US justice department launches inquiry into First Brands

From ft.com

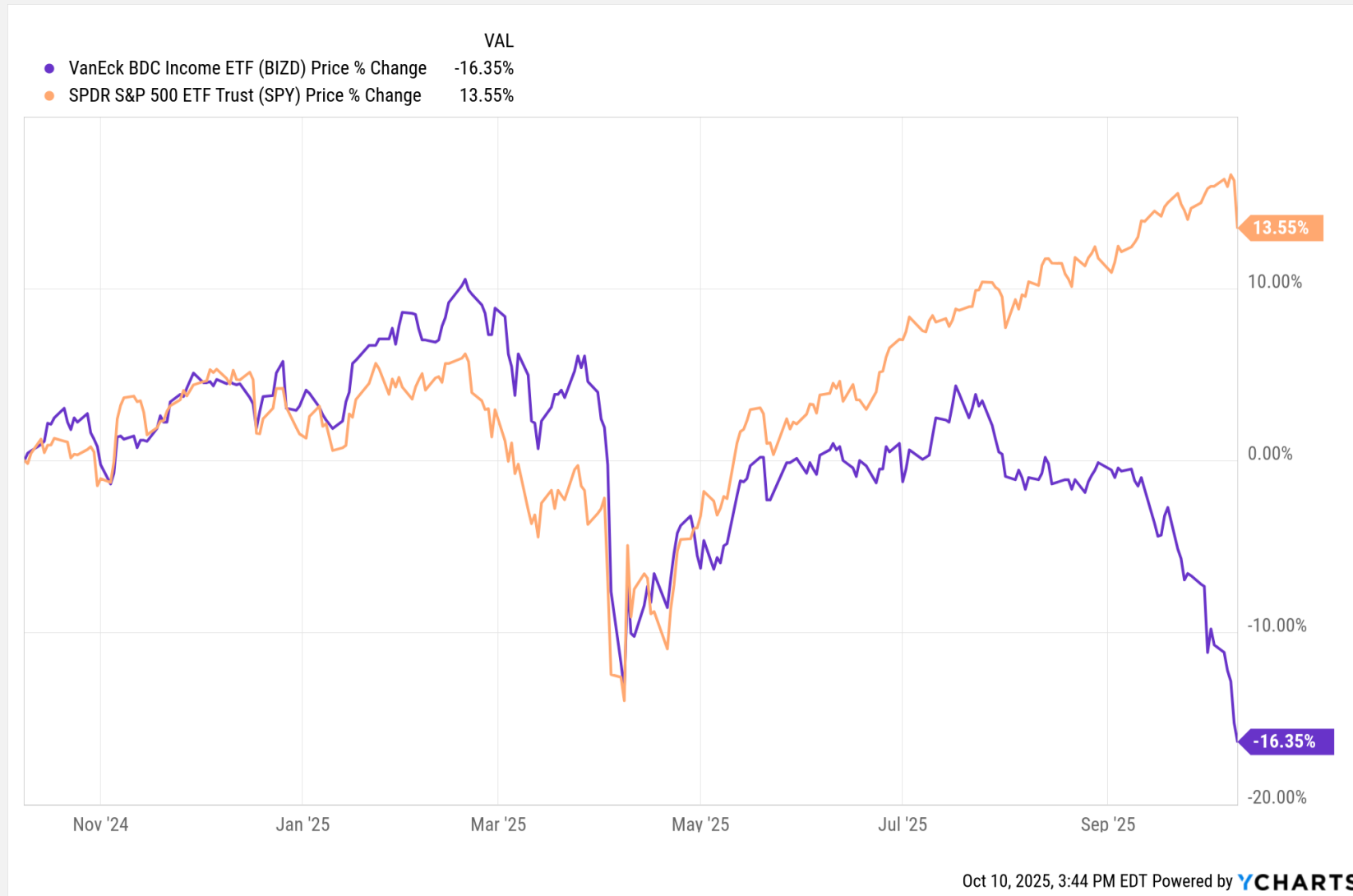
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THE LEHMAN MOMENT OF THE PRIVATE CREDIT BUBBLE?



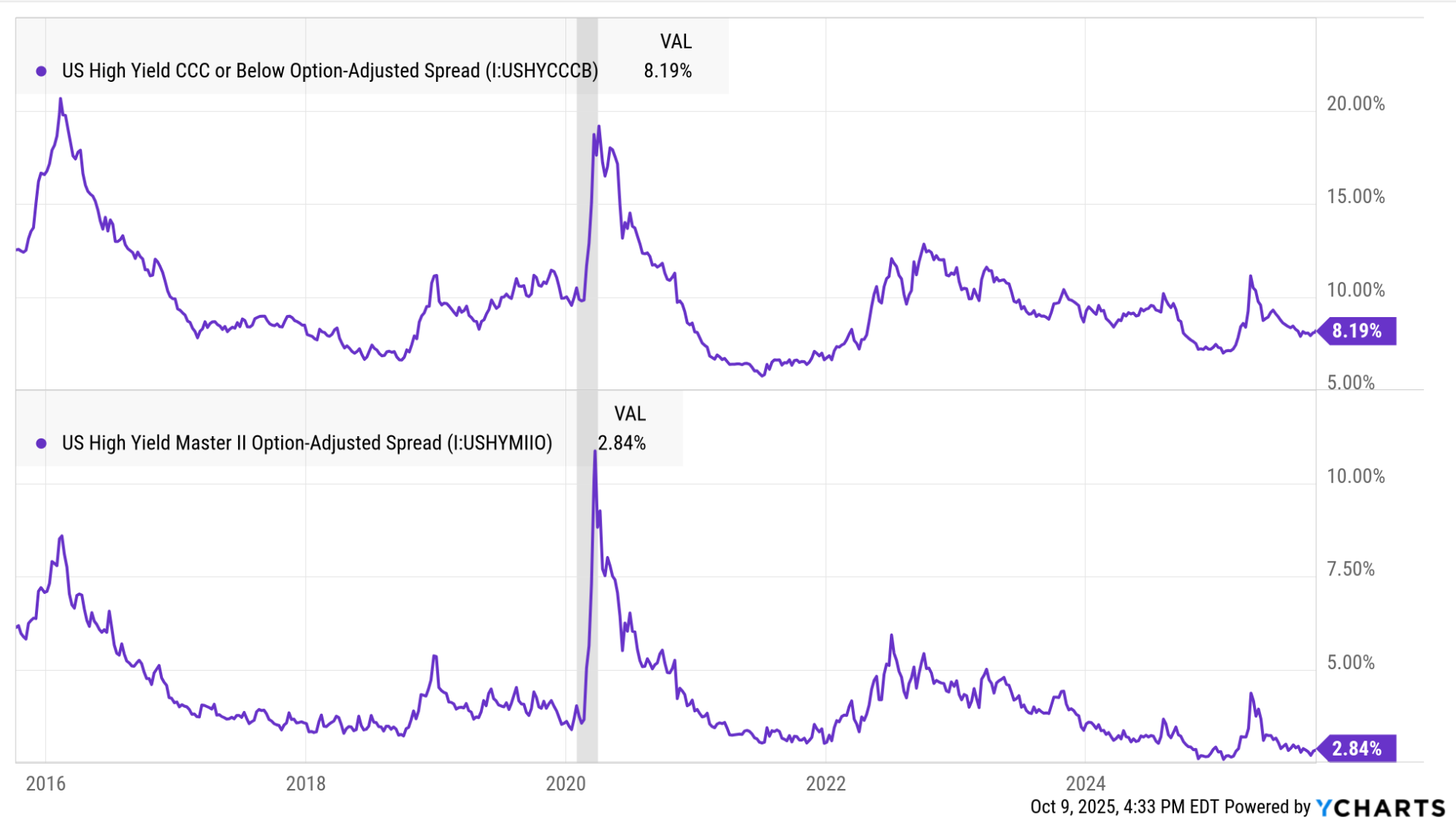
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ARE STOCKS GOING TO FOLLOW PRIVATE CREDIT?



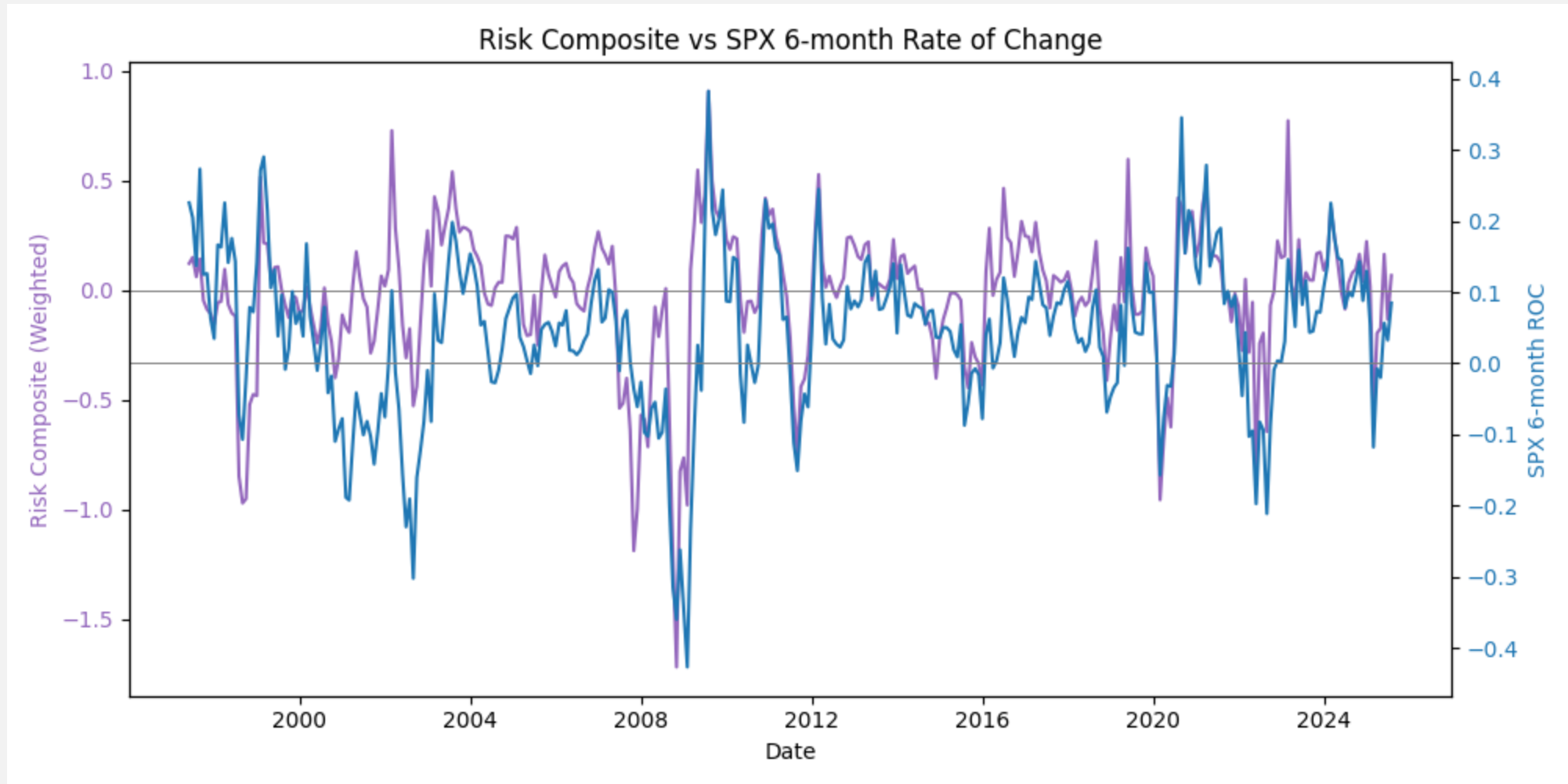
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RISK APPETITE REMAINS STRONG



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RISK APPETITE COMPOSITE VS. SPX



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AI HOLDING EVERYTHING TOGETHER

Lately, this optimism has become a self-fulfilling prophecy. The hundreds of billions of dollars companies are investing in AI now account for an astonishing 40 per cent share of US GDP growth this year. And some analysts believe that estimate doesn't fully capture the AI spend, so the real share could be even higher.

AI companies have accounted for 80 per cent of the gains in US stocks so far in 2025. That is helping to fund and drive US growth, as the AI-driven stock market draws in money from all over the world, and feeds a boom in consumer spending by the rich.

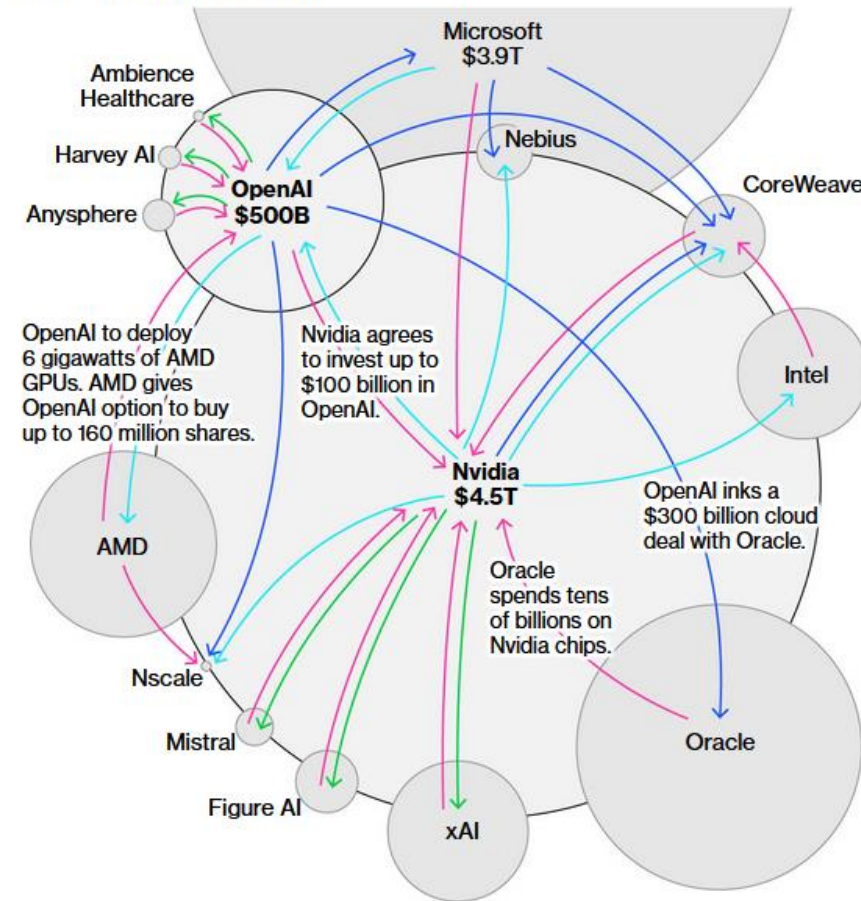
Since the wealthiest 10 per cent of the population own 85 per cent of US stocks, they enjoy the largest wealth effect when they go up. Little wonder then that the latest data shows America's consumer economy rests largely on spending by the wealthy. The top 10 per cent of earners account for half of consumer spending, the highest share on record since the data begins.

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WHAT IS HOLDING AI TOGETHER?

How Nvidia and OpenAI Fuel the AI Money Machine

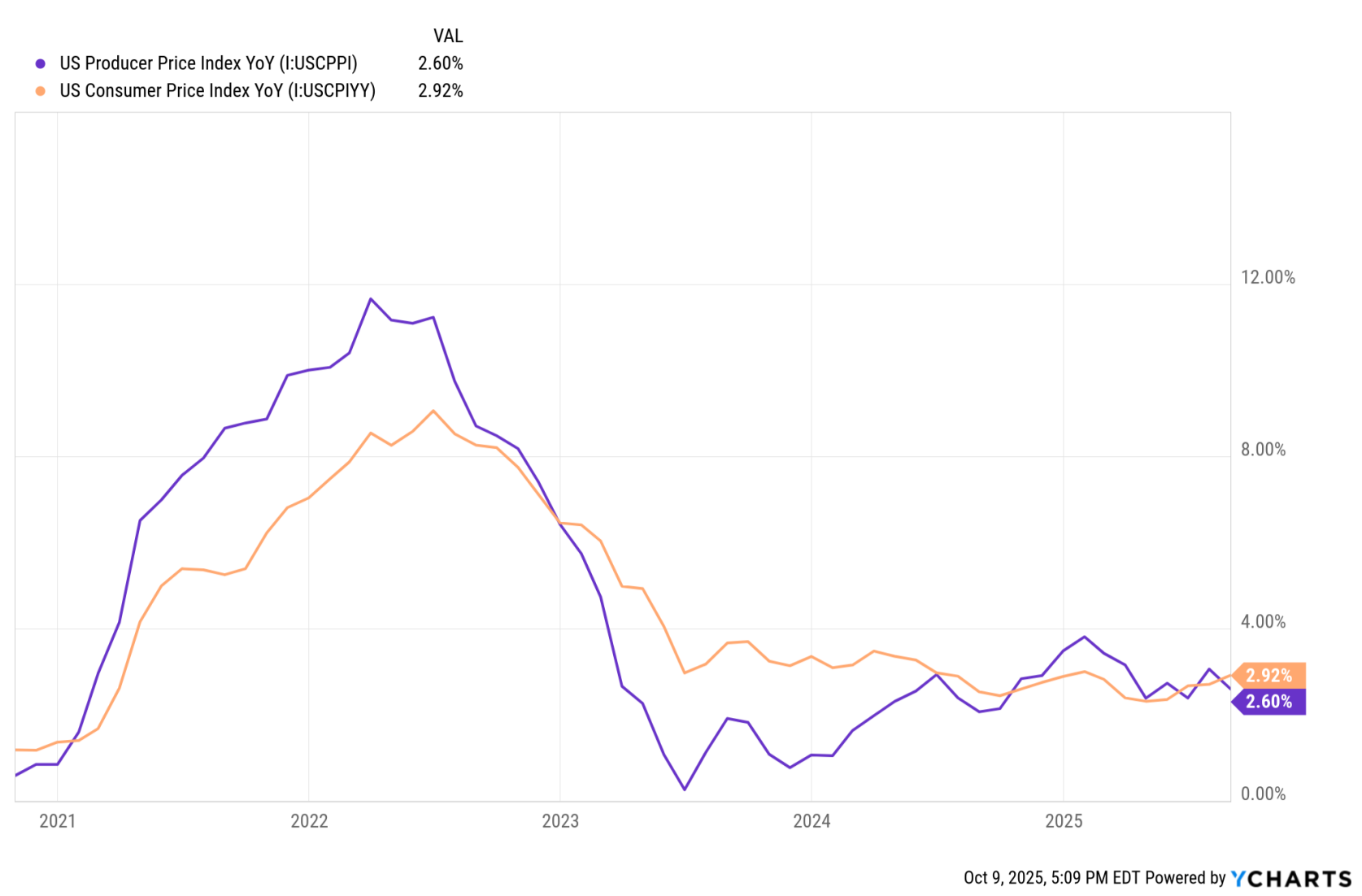
Hardware or Software Investment Services Venture Capital
Circles sized by market value



Source: Bloomberg News reporting

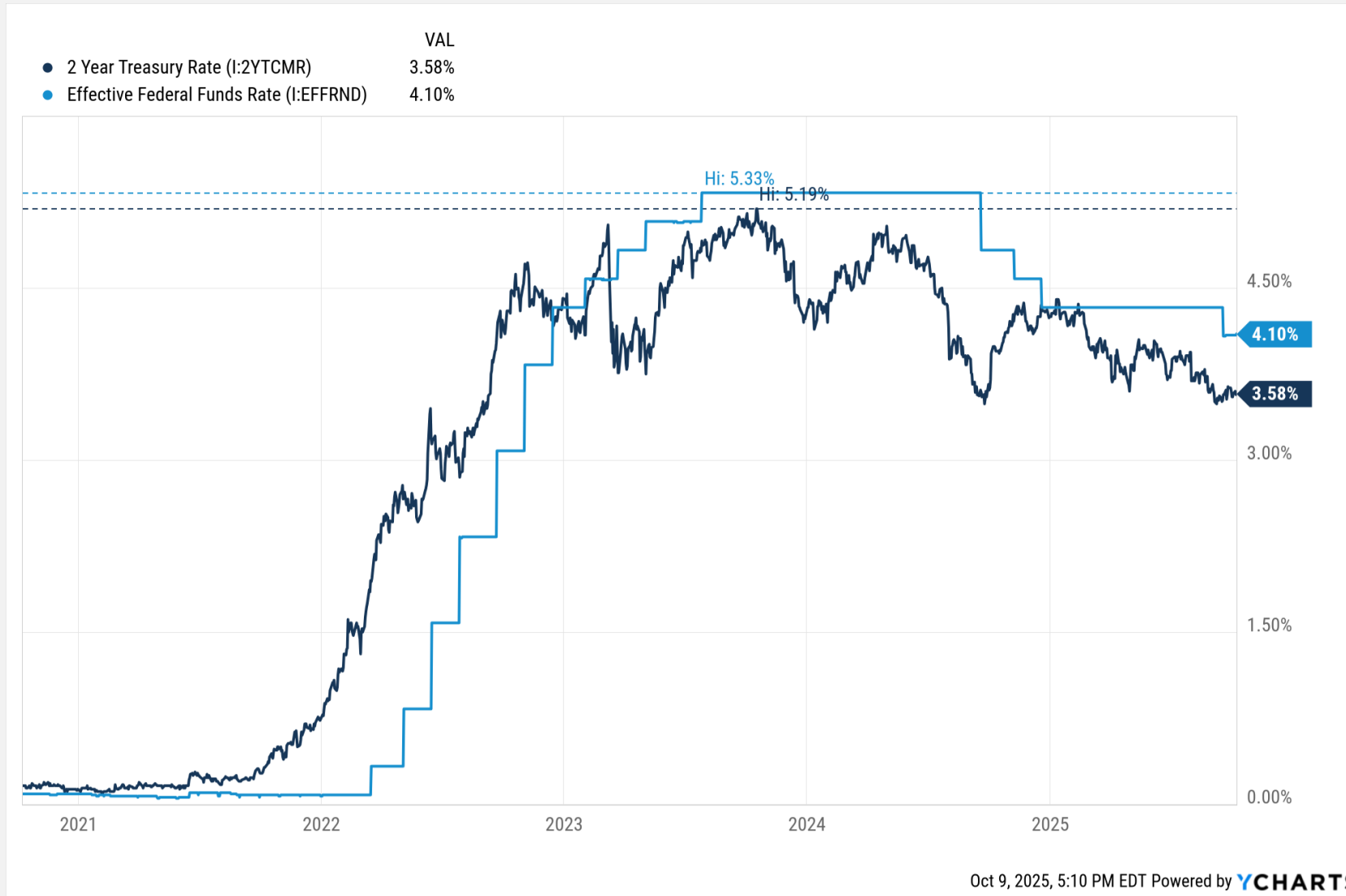
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INFLATION PRESSURES REMAIN MUTED AS WELL



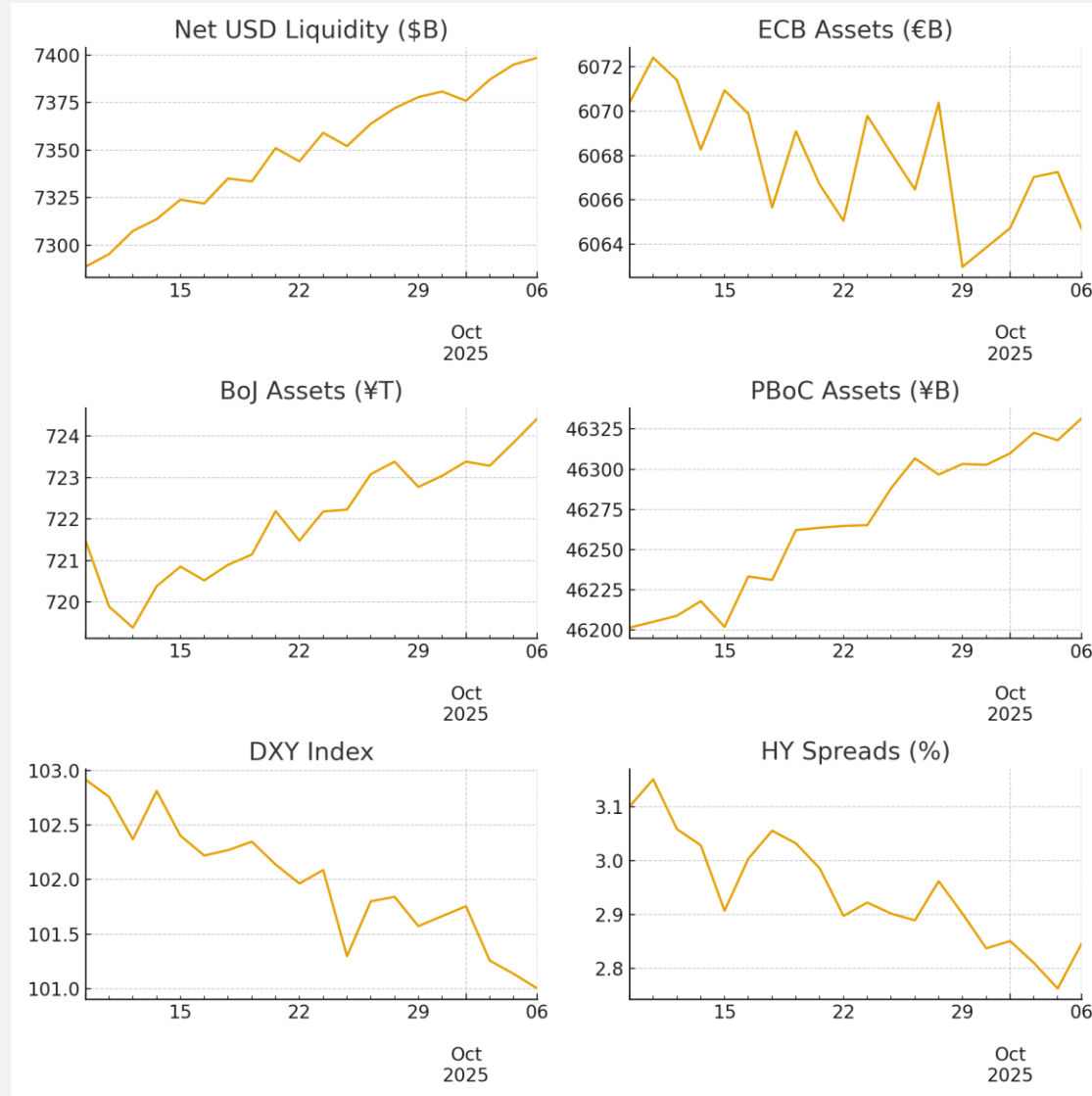
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AND POLICY IS HEADING IN THE RIGHT DIRECTION



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LIQUIDITY IS SUPPORTIVE OF RISK ASSETS AS WELL



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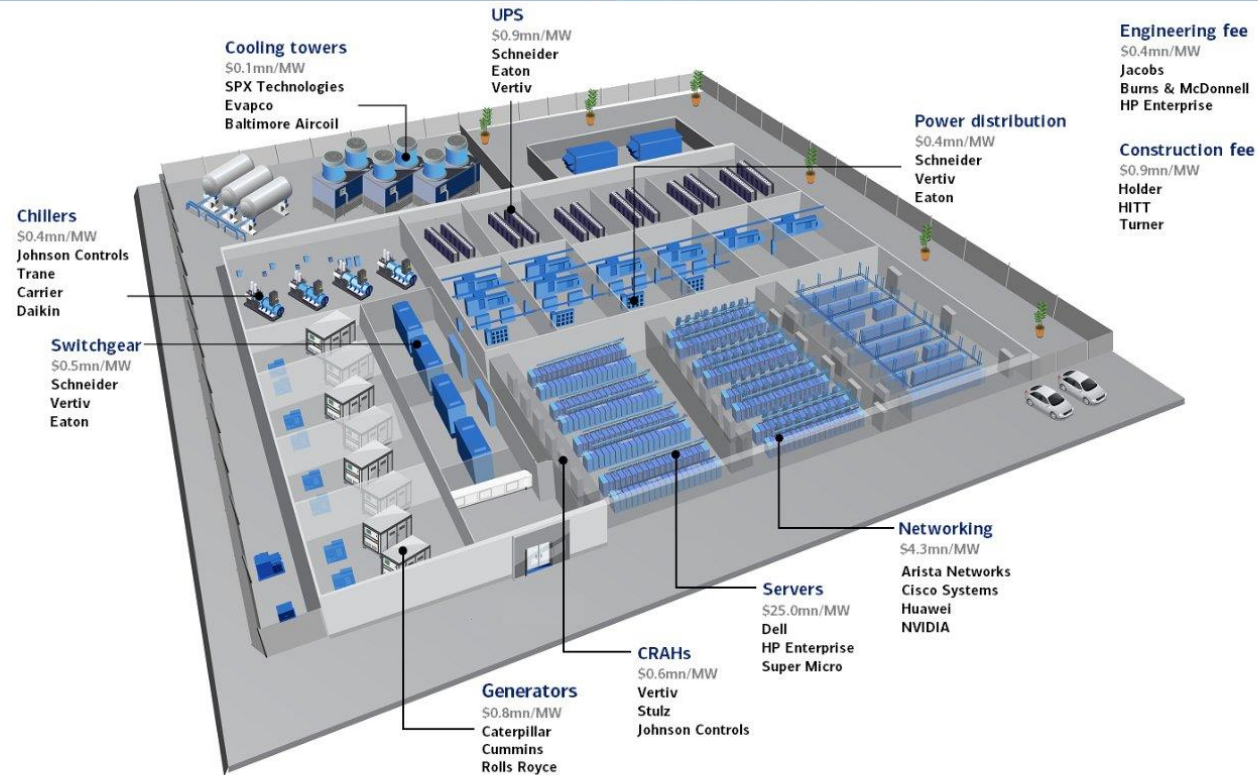
OPPORTUNITIES ARE ABUNDANT IN REAL ASSETS- THE REAL AI TRADE

Exhibit 1: Who Makes the Data Center - 2025

Estimated capex costs of \$39mn per megawatt

Who Makes the Data Center - 2025

Key equipment, content per megawatt, and global vendors

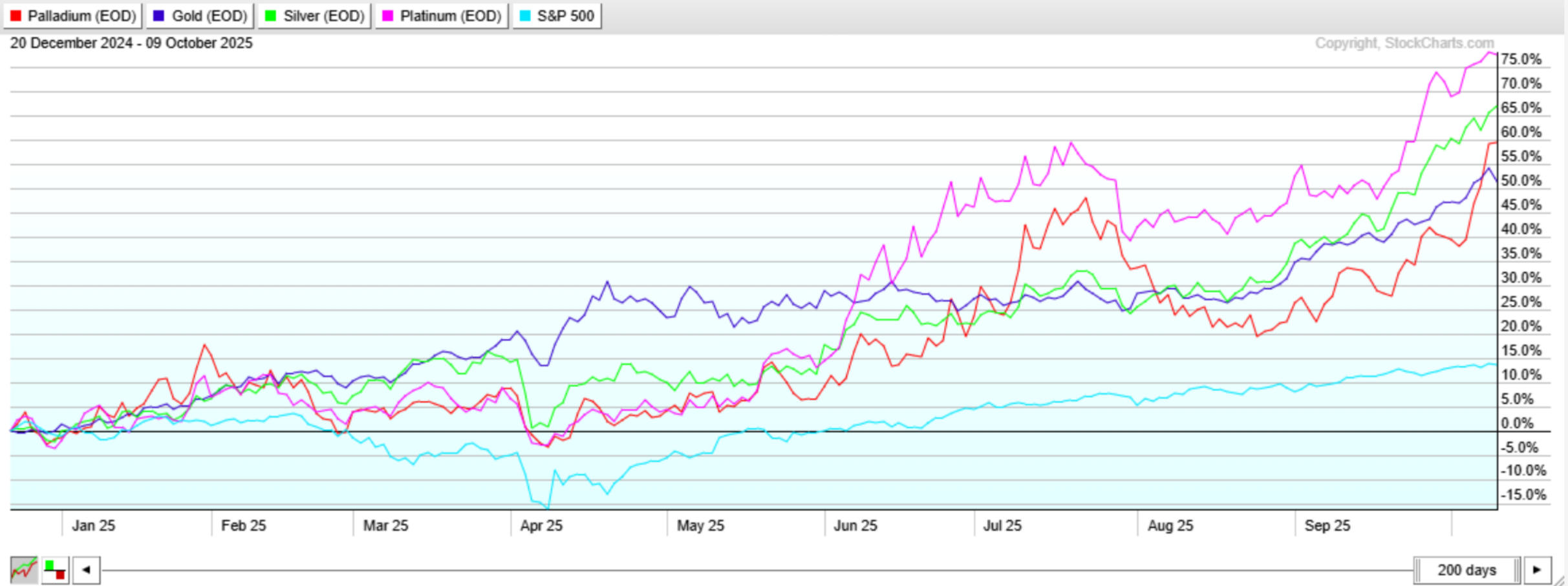


Source: BofA Global Research

BofA GLOBAL RESEARCH

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METALS SUGGEST THE SUPERCYCLE MAY HAVE STARTED



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Equity Insights

10/13/2025

Earnings Expectations for Q3

Analysts and companies are more optimistic than usual about earnings for the third quarter of 2025.

The S&P 500 is expected to see earnings growth for the ninth consecutive quarter.

Estimated earnings per share for Q3 2025 increased by 0.1% from June 30 to September 30, which is unusual as estimates typically fall during a quarter.

More S&P 500 companies have issued positive earnings per share (EPS) guidance for Q3 2025 than the 5-year and 10-year averages.

The estimated year-over-year earnings growth rate for Q3 2025 has risen to 8.0% from an earlier estimate of 7.3%.

If the 8.0% growth rate is achieved, it will be the ninth straight quarter of year-over-year earnings growth for the index.

Seven of the eleven sectors are expected to show year-over-year growth, with Information Technology, Utilities, Materials, and Financials leading.

Four sectors, led by Energy and Consumer Staples, are projected to have a year-over-year decline in earnings (Healthcare and Other – auto, construction, and transportation).



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Market “Stuff”

What’s been working and why is active management so important in the current market environment?

AI, Modern Defense, Quantum Computing

We have been ahead of the crowd with our investments in:

NVDA, SNOW, PLTR, KTOS, IONQ (and RGTI), PHYS

S&P 500 is up 12.54% through 10/10/25, Growth Equity portfolios are up ~23.25% with an 18% cash allocation

What are some other ways to play these themes:

“Picks and Shovels” or what I like to call “Peripherals”

URI, SCCO, Bullpen name UTG, in Alts: Digital Infrastructure Realty Fund (StratCap)

Other news affecting our holdings:

Pharmas: Trump negotiated a reprieve from tariffs if they offered “most favored nations pricing” with

PFE being the first to sign on. Strong rally (mostly short covering) across the board.

SHOP: announced a partnership with OpenAI to allow merchants to sell directly through ChatGPT conversations!



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More Market “Stuff”

Investors should focus on market signals like sector rotation and credit spreads rather than media narratives. The continued strength of utilities indicates a persistent “risk-off” sentiment, suggesting caution in the current environment. –Michael Gayed

Was there panic? I suppose a little bit. Like the (QQQ) s traded 90 million shares. The VIX is definitely getting jumpy. But the put/call ratio didn’t even get over 1.0. We did not even get 90% of the volume on the downside. It was hard to find charts where the 50-day moving average lines were broken —except the banks. The new lows expanded to the most since April on the NYSE. –Helene Meisler

Friday was brutal. The S&P 500 dropped 2.7 percent, the Nasdaq fell 3.6 percent and the Dow almost 1.9 percent, shedding nearly \$2 trillion in market value — its worst one-day decline since April.[2] XLU dipped just a few tenths of percentage point.

Put another way, the market gave us a warning: defensive leadership was not random — it was deliberate. The fact that utilities were as calm as they were amidst the rest of the chaos was perhaps the most telling alarm.

This stress has not been fully priced in by public equities. So we have a divergence: credit markets are marking down risk, while indices are being lifted by a narrow group of winners. The sell-off that began Friday may be the beginning of stocks catching down to credit reality.

Remember:

Chaos creates opportunity and the more of the former there is the more of the latter you have.



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Bullpen Idea – UTG

Bullpen Idea: UTG, Reaves Utility Income Fund, \$40.31, ex-div 10/17, yield 5.67%:

Holdings include: Talen, Centrus, Vistra, MP Materials, Williams Cos, EPD, Constellation, Quanta, Comm Svcs

Solid Yield due to increasing distributions from portfolio companies

Defensive and Growth-oriented due to diverse holdings

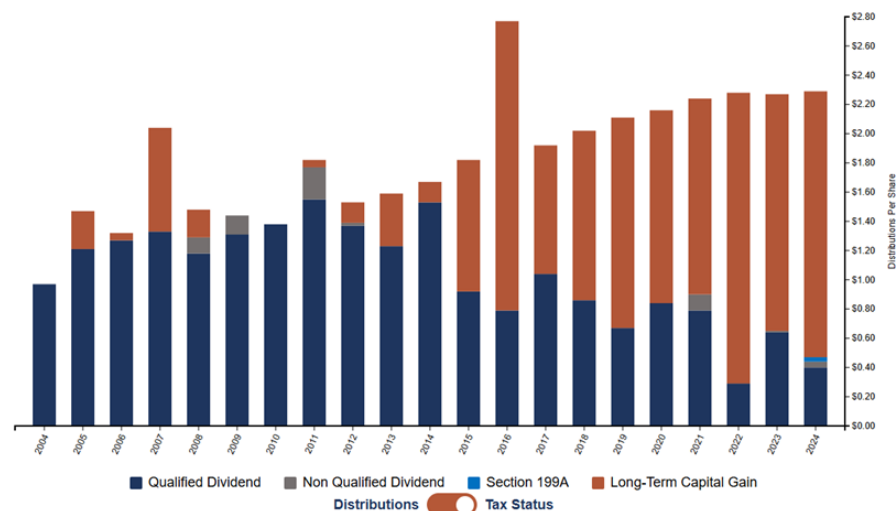
Portfolio slimmed down to 30 holdings from 62 last quarter (we like concentration!)

There are internal expenses due to some leverage (17%), but net that, performance still on point

Outperformed its benchmark, MSCI USA Infrastructure Index, on all but 5-year time periods

BEST part: tax efficiency of distribution:

Since the Fund's inception in February 2004, shareholders have received more than \$1.7 billion of cash distributions.



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Portfolio Company Earnings the Week of 10/13 - JPM

10/14:

JP Morgan Chase & Co., JPM, \$300.87, Div. Yield 1.96%, Ex. Dividend Date 10/6/2025:

EPS Estimate: \$4.87

Price targets are \$235-\$370, looking for \$350

Recently raised the dividend. As we mentioned in our call a few weeks ago, JPM reported positive outlook for division targets, credit outlook, IPOs and digital currency regulations at a September banking conference. Dimon did recently express some concern for potential market correction, but nothing that gave panic vibes.

On 9/30, they announced JPM Chase intends to be the world's first fully AI-powered megabank. "If Team Dimon succeeds, this means more revenue, better margins and even greater profits." –Keith Fitz-Gerald



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