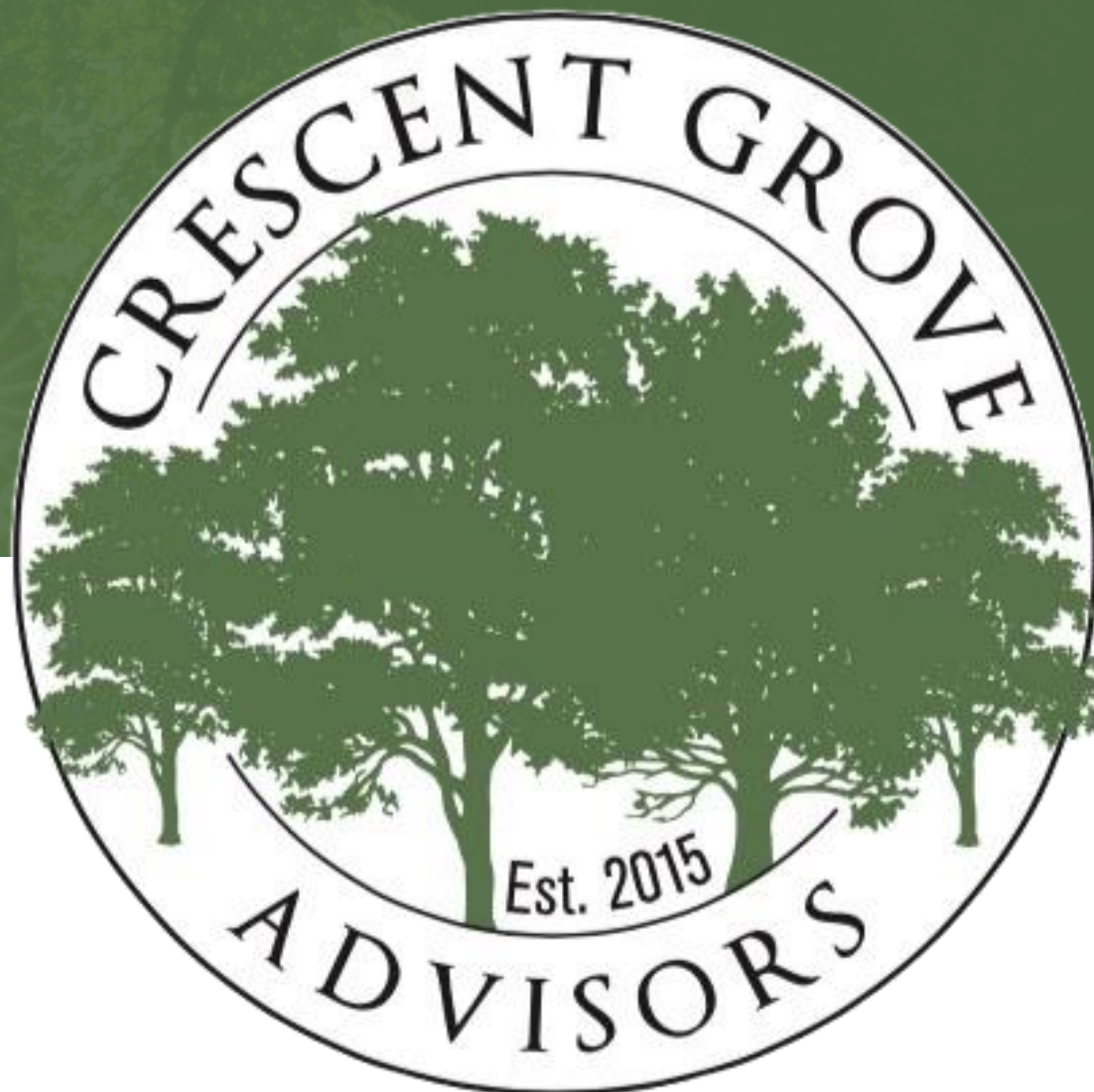




QUARTERLY MARKET PERSPECTIVES

Q3 2025

Q3 2025 REVIEW

KEY THEMES

- Optimism over artificial intelligence developments and a dovish turn at the Fed fueled a strong Q3 for the markets. The S&P 500 rose in all three months, producing an 8.1% gain. While mega-cap technology names had an outsized impact on price action, smaller stocks also became meaningful participants in the market rally.
- A patch of soft job growth rekindled recession fears and cemented expectations for a Fed rate cut. Even so, the broader US economy showed surprising resilience, powered by solid consumer spending, rising business investment, and support from the new One Big Beautiful Bill, which helped offset the hit from newly imposed tariffs.

FIXED INCOME

- Bonds performed well in Q3 as the Federal Reserve cut interest rates for the first time since its tightening cycle began, signaling a shift toward a more accommodative stance. Treasury yields declined meaningfully across maturities, led by the front end, as investors priced in additional easing through year-end.
- Credit markets rallied, with investment-grade and high-yield spreads tightening amid improved risk sentiment. The move reflected growing confidence that the Fed could engineer a soft landing without triggering a recession. Demand for municipal and corporate bonds rose, supported by steady income opportunities.

EQUITIES

- Stocks advanced in Q3, lifted by resilient economic data and rising expectations for Fed easing. Small cap stocks outperformed larger peers as the equity rally broadened beyond the Magnificent Seven.
- Non-US equities posted strong gains, led by strength in emerging markets. Despite rising tariffs, global growth remained resilient as companies absorbed costs—though trade tensions and policy uncertainty continue to pose risks.



MARKET DASHBOARD (as of September 30, 2025)

KEY RETURNS AND STATISTICS

Bond Index Returns					Annualized
	Q3	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Municipal 1-10Yr Index	2.3%	4.1%	3.1%	4.3%	1.2%
Bloomberg US Aggregate Bond Index	2.0%	6.1%	2.9%	4.9%	-0.4%
Bloomberg US High Yield Index	2.5%	7.2%	7.4%	11.1%	5.5%

Treasury Yields					
	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
Yield by Maturity	3.6%	3.6%	3.7%	4.2%	4.7%

FX and Commodity Returns					Annualized
	Q3	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Dollar Index	0.9%	-8.3%	-1.8%	-3.5%	0.4%
Bloomberg Commodity Index	2.6%	5.9%	4.3%	-2.1%	8.1%
WTI Crude Oil	0.8%	-2.3%	5.8%	4.5%	21.0%
Natural Gas	-18.2%	-16.4%	-15.4%	-48.4%	-23.3%
Copper	-4.7%	19.0%	5.2%	14.1%	10.8%
Gold	16.4%	44.8%	44.1%	31.3%	14.4%

Equity Index Returns					Annualized
US Equities	Q3	YTD	1 Yr	3 Yr	5 Yr
Russell 3000	8.2%	14.4%	17.4%	24.1%	15.7%
S&P 500	8.1%	14.8%	17.6%	24.9%	16.5%
Russell 2000	12.4%	10.4%	10.8%	15.2%	11.6%
Non-US Equities	Q3	YTD	1 Yr	3 Yr	5 Yr
MSCI All Country World ex. US	6.9%	26.0%	16.4%	20.7%	10.3%
MSCI EAFE	4.8%	25.1%	15.0%	21.7%	11.1%
MSCI Emerging Markets	10.6%	27.5%	17.3%	18.2%	7.0%

US Equity Style Box Returns*

Q3				YTD			
	Value	Core	Growth		Value	Core	Growth
Large	5.3%	8.0%	10.5%	Large	11.7%	14.6%	17.2%
Mid	6.2%	5.3%	2.8%	Mid	9.5%	10.4%	12.8%
Small	12.6%	12.4%	12.2%	Small	9.0%	10.4%	11.7%

Source: Bloomberg. As of September 30, 2025. *US Equity Style Box based on returns for Russell Indices. **Past performance is no guarantee of future results.** See important disclosures on the last page.



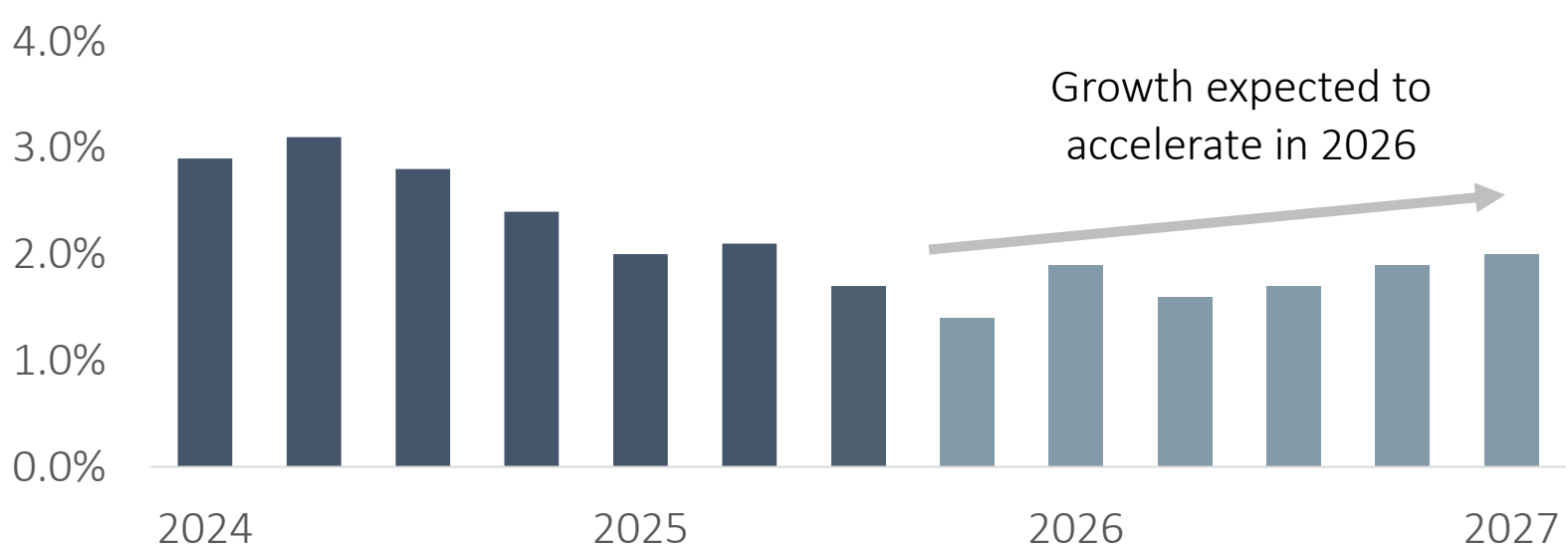
US ECONOMY: WALKING A TIGHTROPE

A COOLING LABOR MARKET MEETS A STILL-RESILIENT ECONOMY

The US economy is sending mixed signals. The labor market is losing momentum, yet broader indicators point to continued strength. While growth is expected to slow into year-end, a resilient consumer and tailwinds from the OBBBA should help boost growth in 2026.

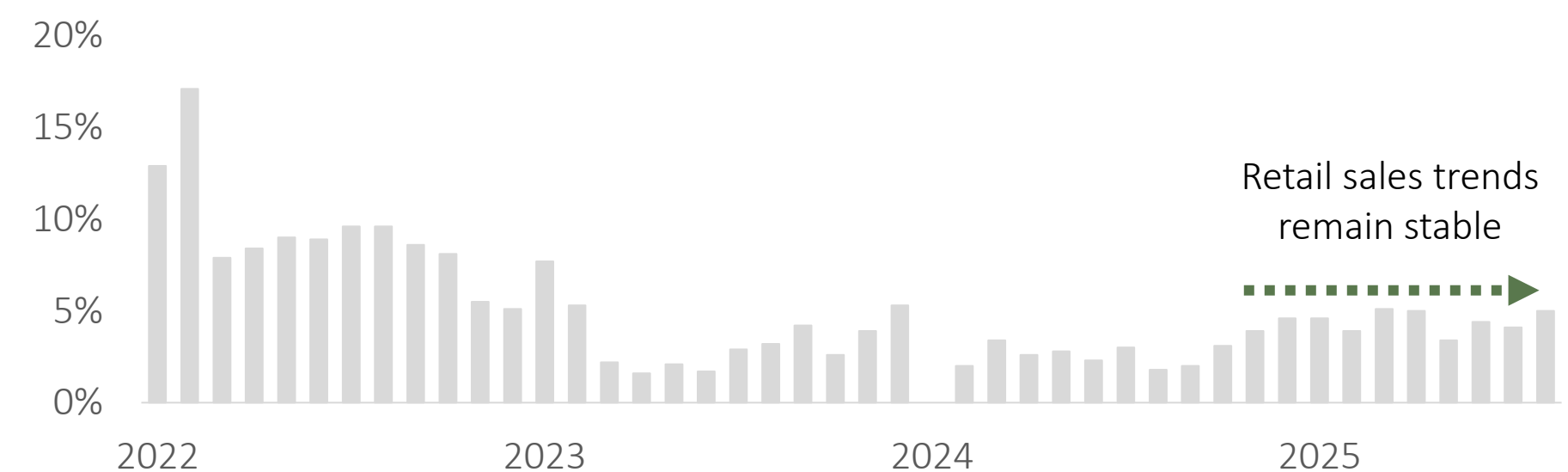
Economic Soft Patch Paves Way for Stronger 2026

Consensus Real GDP QoQ%



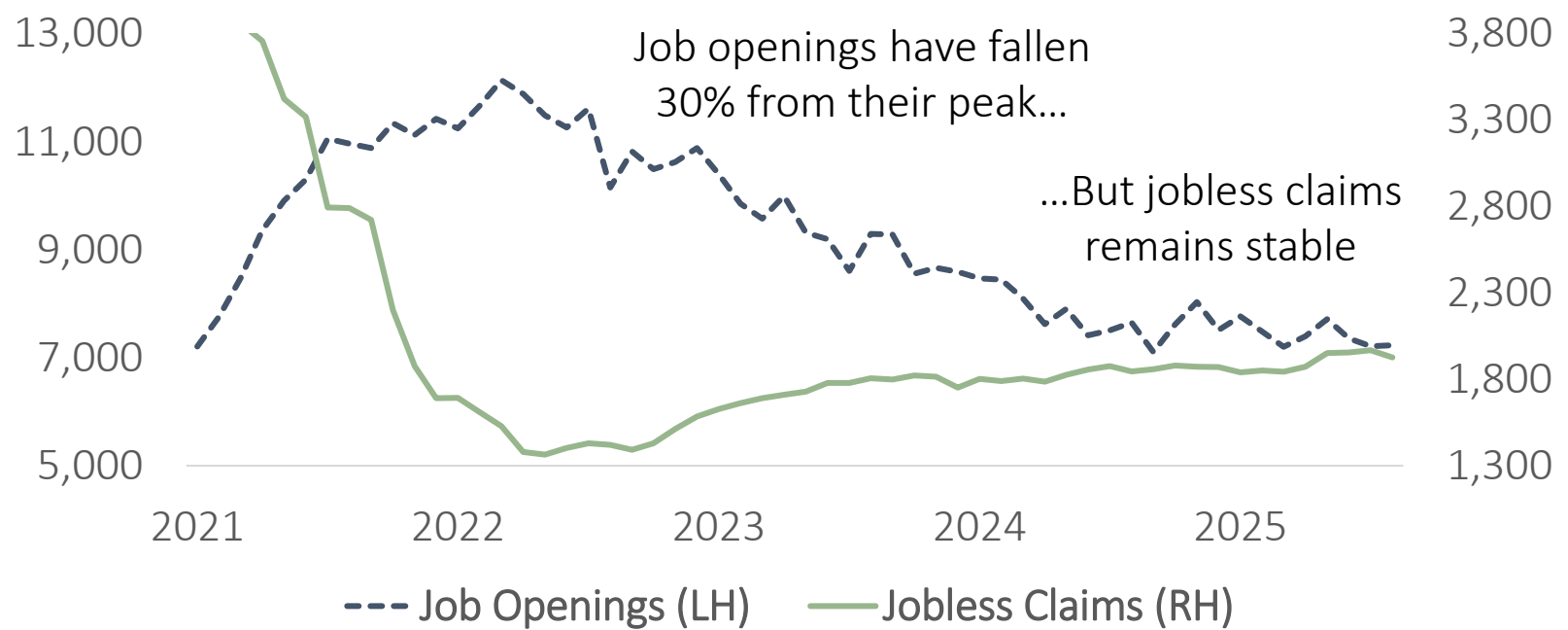
A Resilient Consumer Keeps Carrying the Weight of the Economy

Adjusted Retail and Food Sales (YoY%)



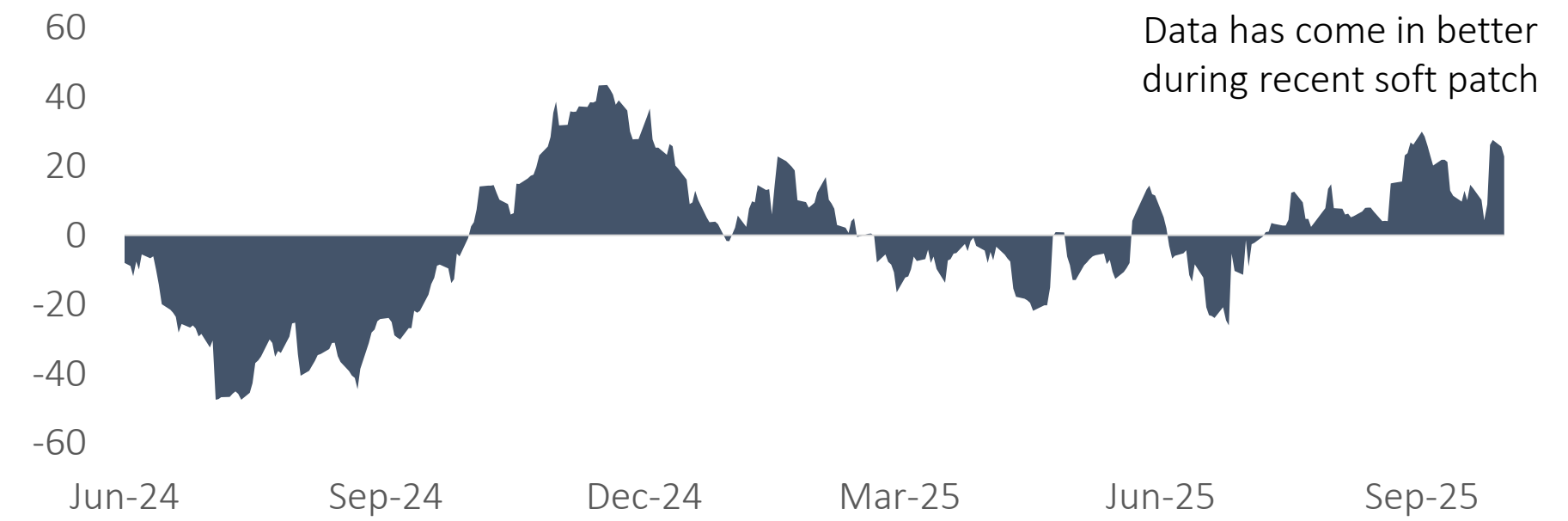
Hiring Is Slowing But Layoffs Remain Contained

Job Openings vs Continuing Jobless Claims



Strong Data Defies Slowdown Narrative

Citi Economic Surprise Index



Source: Crescent Grove Advisors, Bloomberg. As of September 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



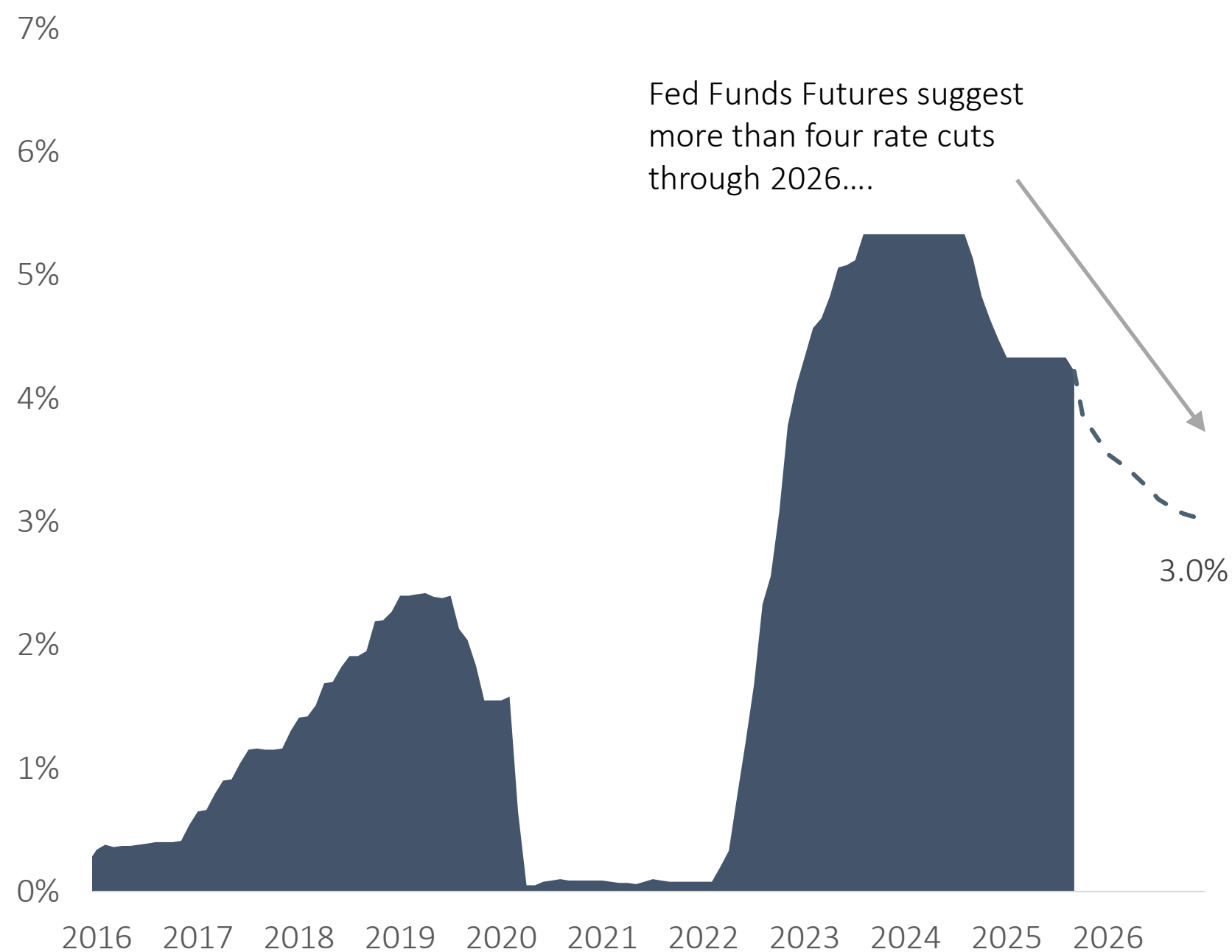
TOO MANY CUTS, TOO SOON?

MARKET EXPECTS SEVERAL RATES CUTS, WHILE PATH OF INFLATION SUGGESTS FEWER

Consensus expects the Fed funds rates to finish 2026 around 3%, reflecting more than four interest rate cuts. But sticky inflation and stronger growth trends suggest market expectations may be too aggressive.

Fed Willing to Cut Rates, But Inflation Could Derail Plans

Fed Funds Rate – Actual vs Implied



Rate Cut Hopes Clash with Inflation Reality

Consumer Price Index (YoY%)



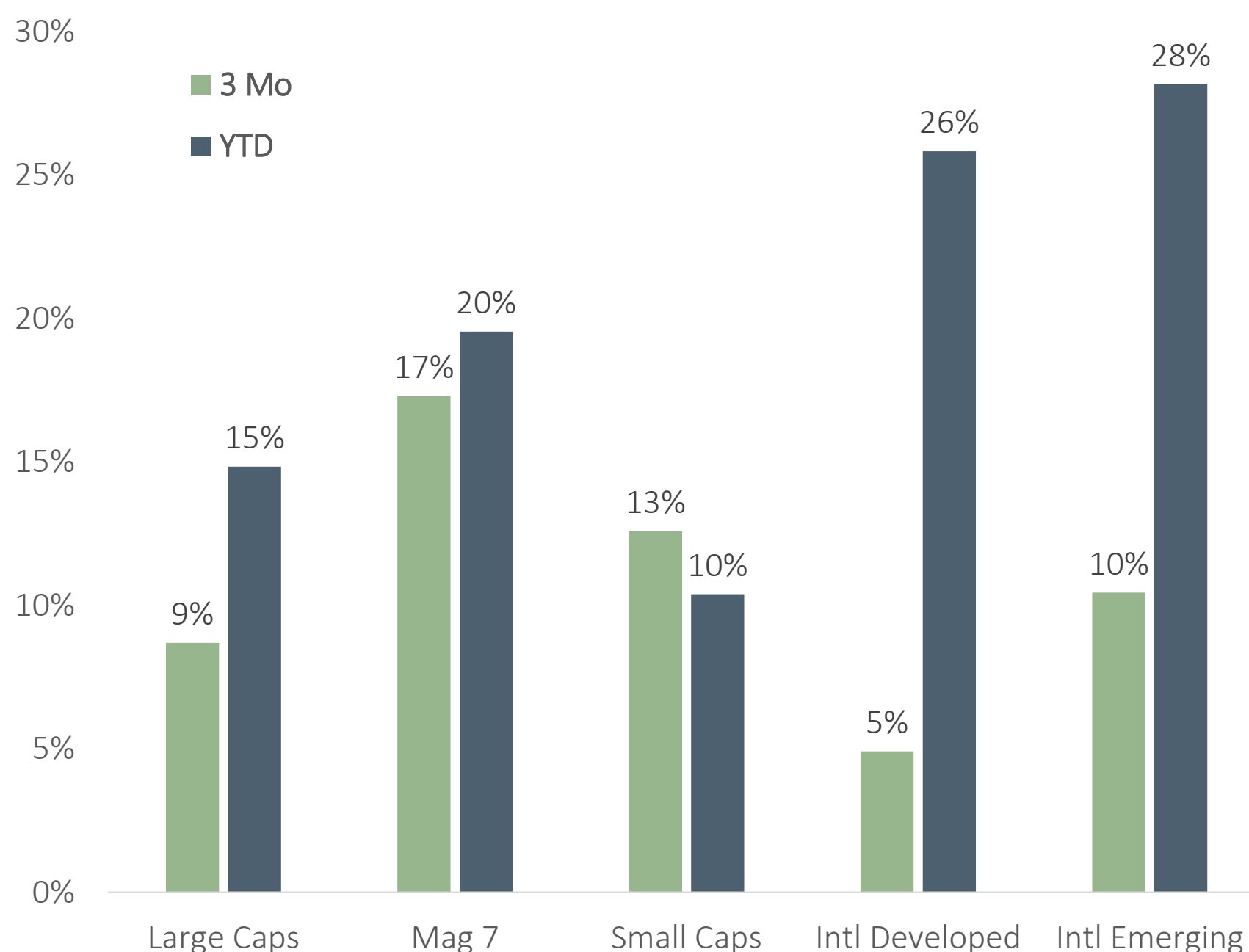
RISING TIDE LIFTS THE LEAKIEST BOATS

THE QUARTER'S MARKET GAINS WERE DRIVEN BY SOME OF THE LOWEST QUALITY STOCKS

While the market has moved broadly higher in Q3, the market move has been dominated by a rally in less profitable, lower-quality stocks with weaker balance sheets—particularly in technology and communication services sectors. Meanwhile, more profitable stocks have lagged given already-stretched valuations.

Technology and AI-Names Push Market to New Highs

Q3 and YTD Returns (as of Sep 30, 2025)



Fundamentals Take Back Seat: The Worst Stocks Are Best Performers

High Quality vs Low Quality



Source: Crescent Grove Advisors, Bloomberg, UBS. High/Low Quality stocks represented UBS High Quality Index and UBS Low Quality Index—a basket of equal-weighted stocks with the highest (or lowest) quality scores, represented by profitability, financial health, efficiency, and management signaling. As of September 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



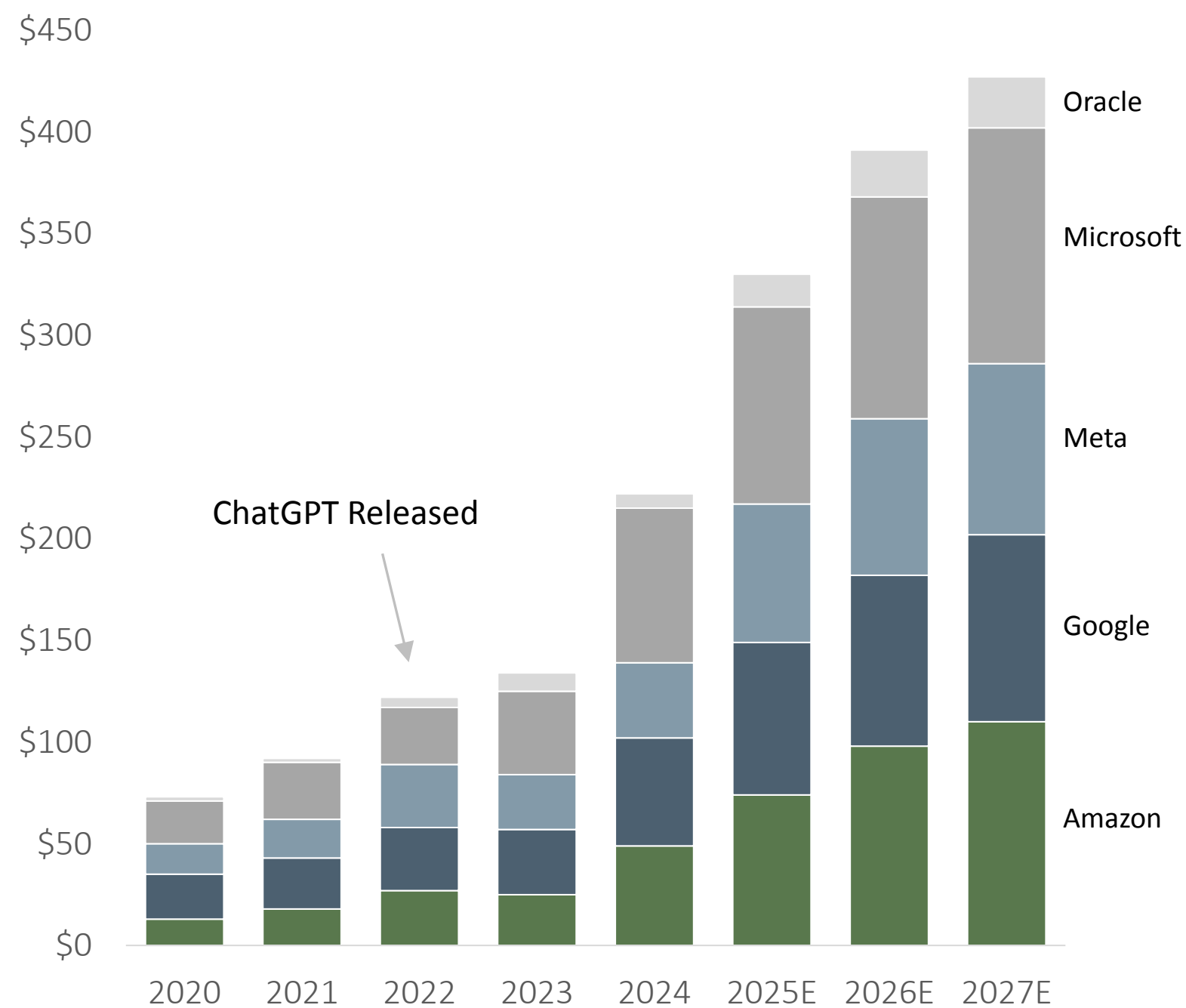
THE NEW INDUSTRIAL REVOLUTION

AI'S INVESTMENT BOOM IS OFFSETTING WEAKNESS IN OTHER PARTS OF THE ECONOMY

AI infrastructure spending is fueling a global data center boom that's reshaping capital spending across industries. AI-related build-outs have become a major economic engine, supporting a substantial share of US GDP growth, and helping offset weakness in other areas of the economy.

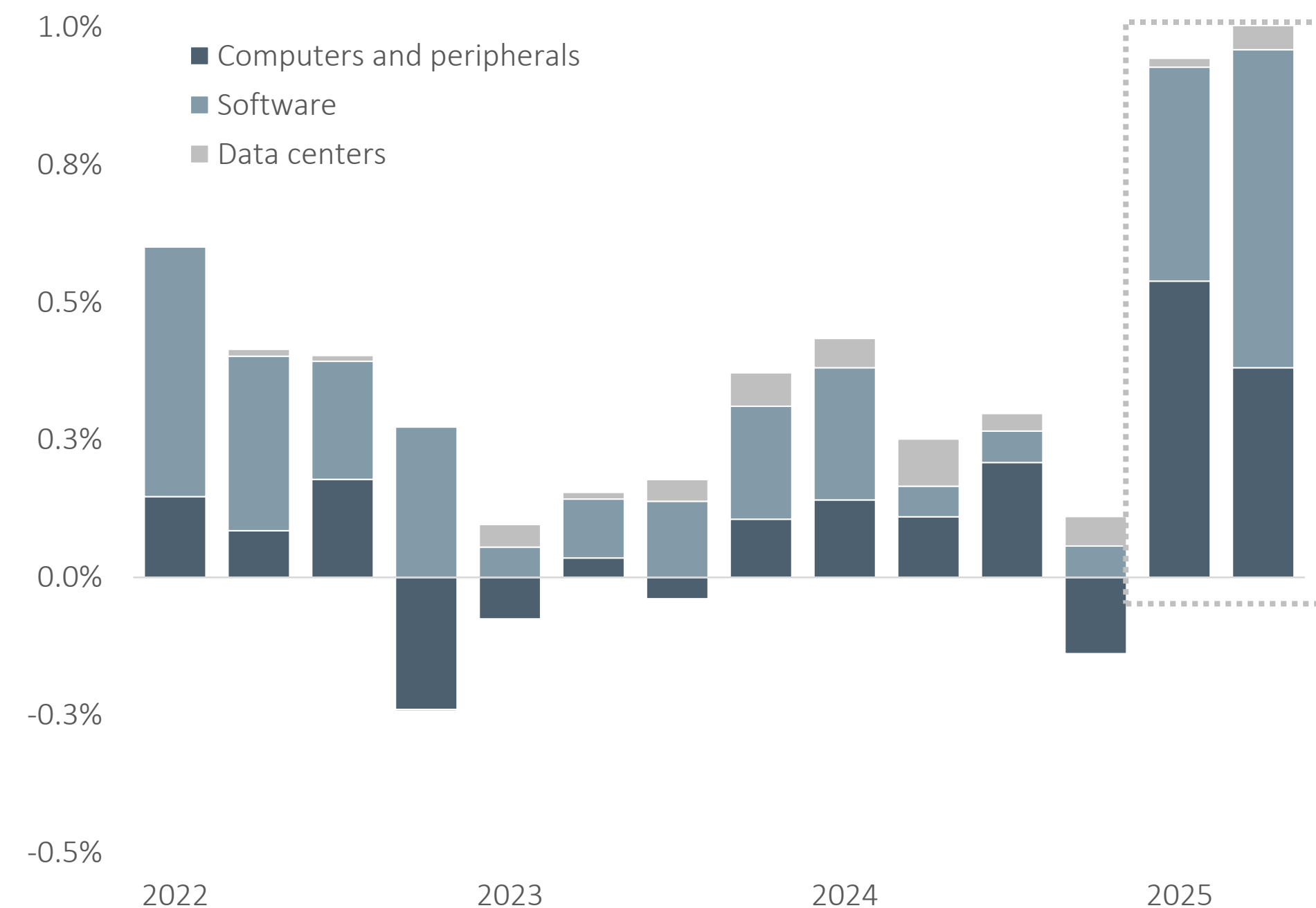
Big Tech's AI Spending Spree Shows No Signs of Slowing

Annual Hyperscaler AI/Datacenter Investment (\$ Billions)



AI Spending Emerges as Surprise Engine of US Economic Growth

AI-Related Investment: Contribution to GDP Growth (QoQ%)



Source: Crescent Grove Advisors, Bloomberg, Barclays Research. As of September 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



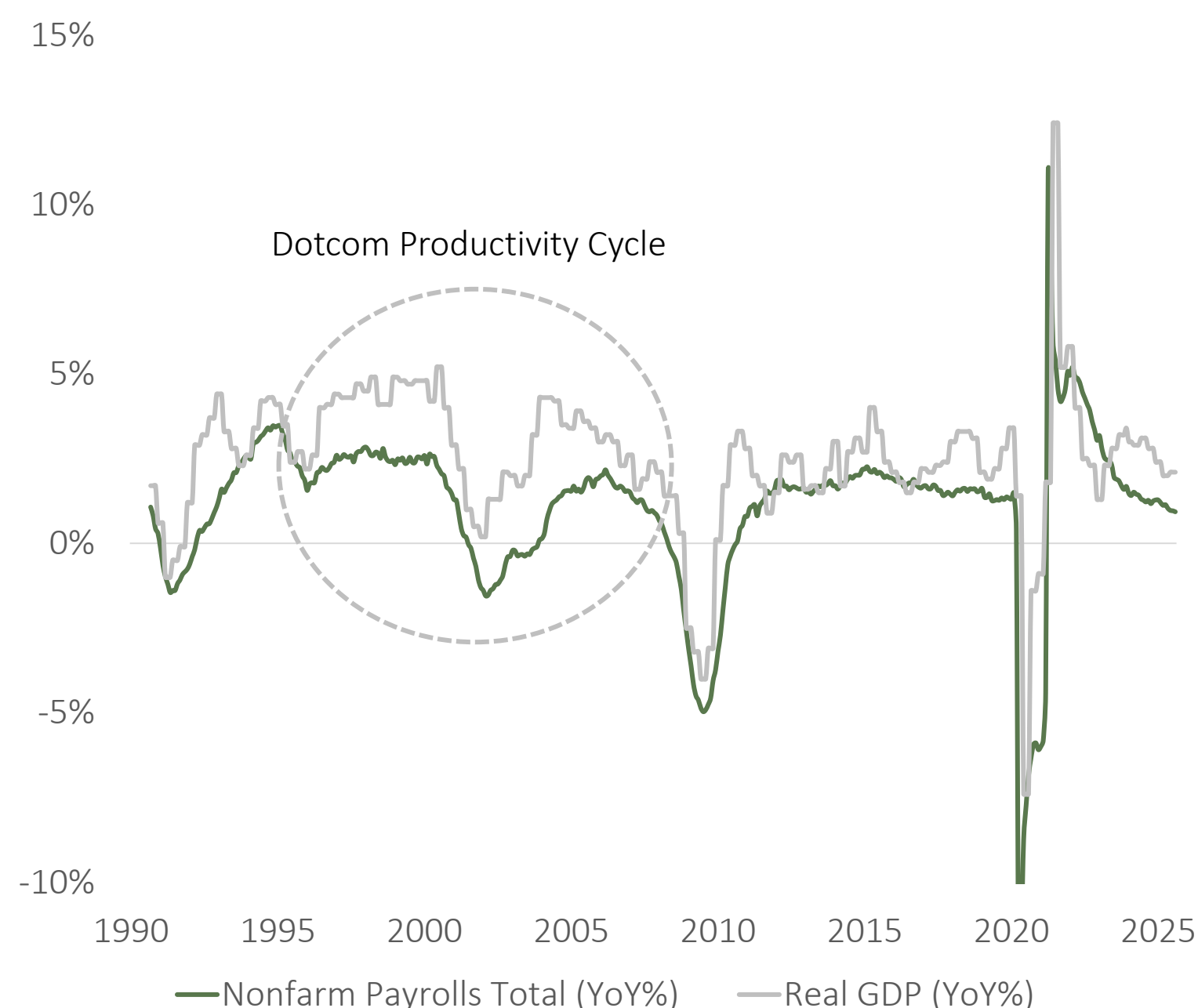
PRODUCTIVITY GAINS TO DRIVE US EXPANSION

LABOR PRODUCTIVITY REMAINS A KEY GROWTH DRIVER IN THE US

Economic growth has been outpacing job creation, signaling ongoing gains in labor productivity. Rising productivity expands an economy's growth potential, supporting stronger profit margins and valuations. AI is set to accelerate this trend by freeing workers to focus on innovation and high-value output.

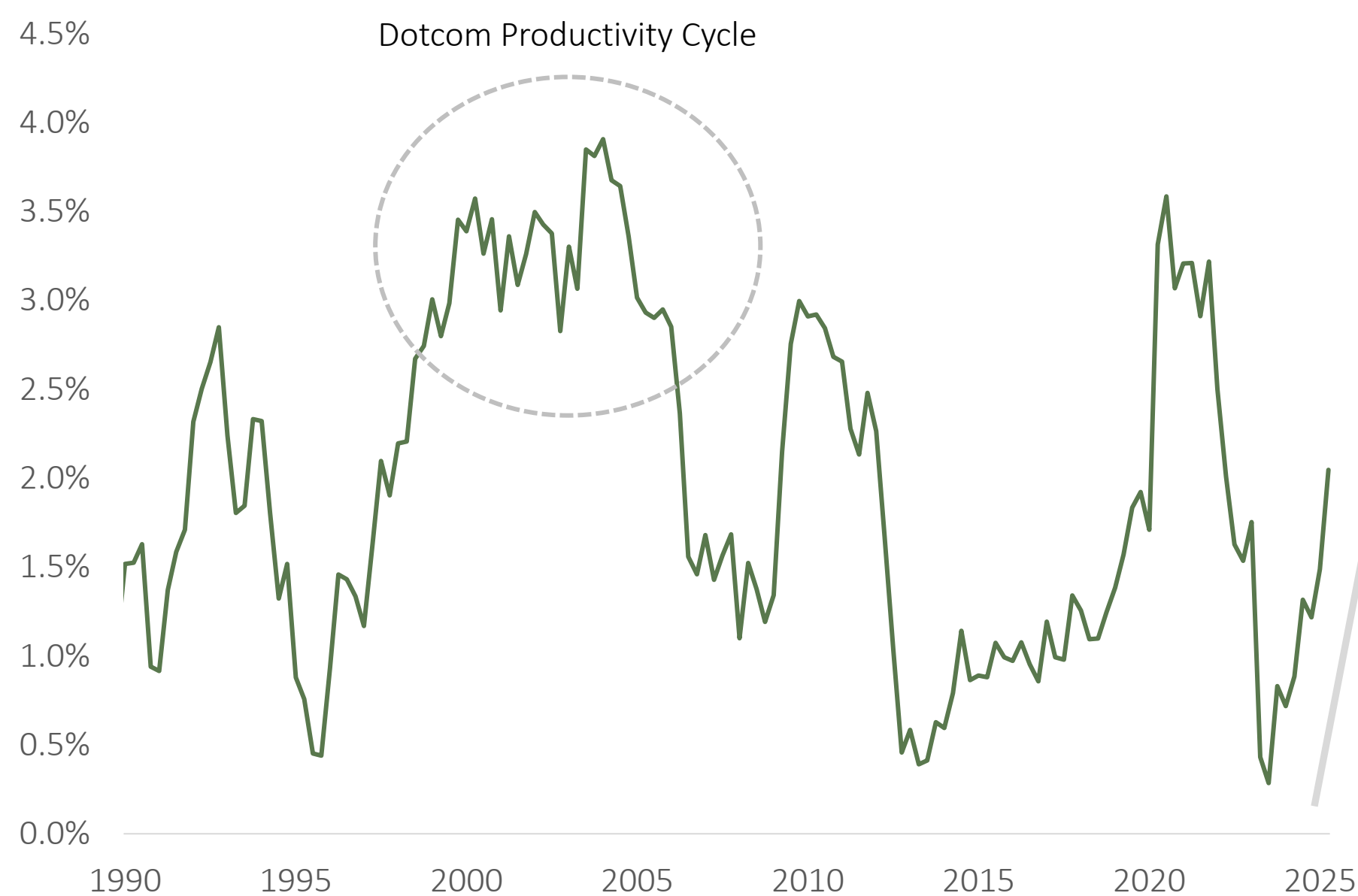
Economic Growth Has Been Outpacing Employment....

Nonfarm Payroll Growth vs Real GDP Growth



...Signaling a New Productivity Growth Cycle

Nonfarm Labor Productivity, 3 Year Annual Growth



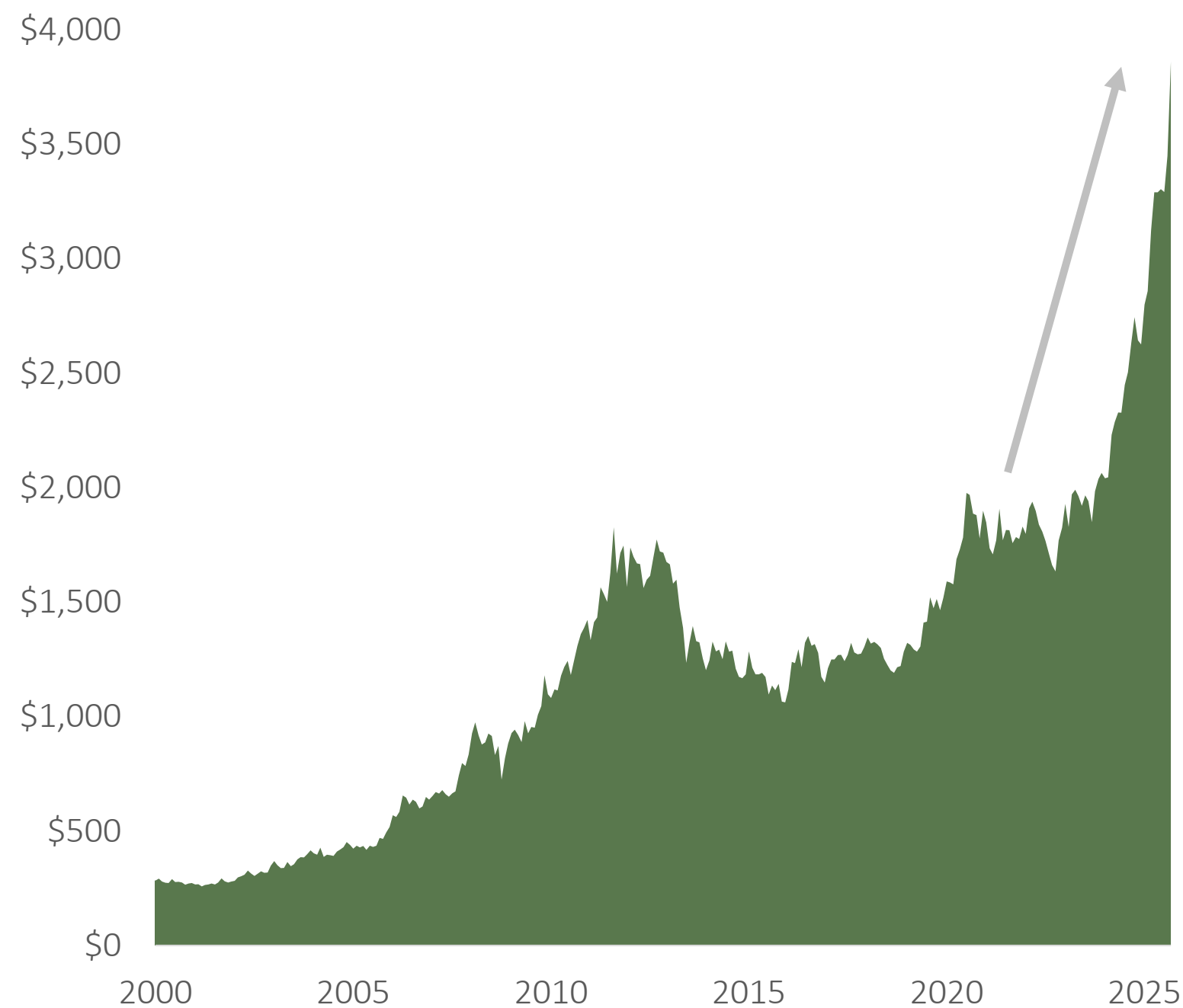
GOLDEN ERA FOR GOLD?

THE PRECIOUS METAL IS HAVING ITS BEST YEAR SINCE 1979

Gold's nearly 50% rally YTD reflects a rising uneasiness about the current fiscal and monetary order. Central banks and investors have aggressively bought gold during a period of mounting sovereign debt and persistent inflation, viewing the metal as a store of value and hedge against currency depreciation.

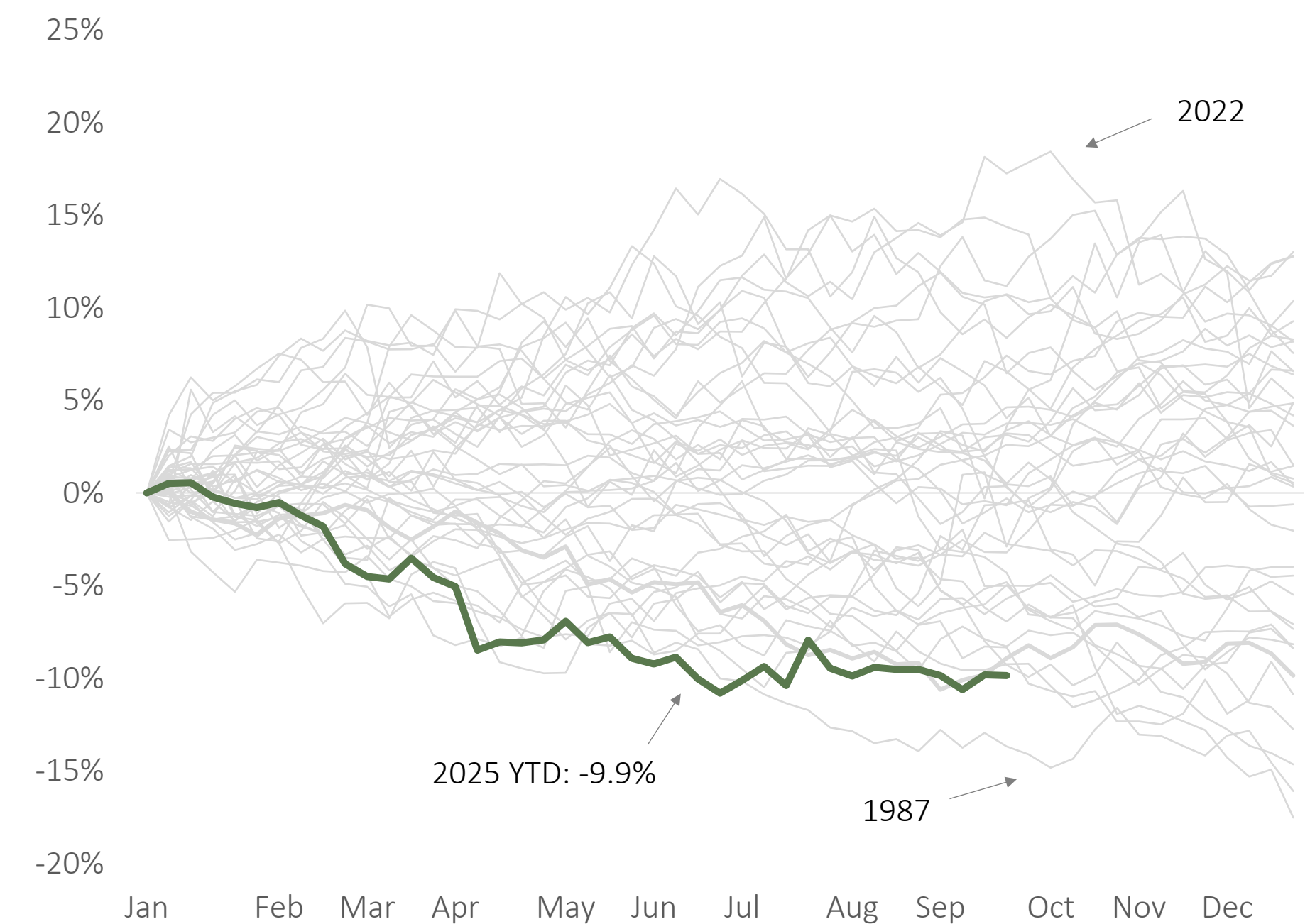
Gold Prices Have Surged to Record Highs....

Gold Spot Price: Per Ounce



...While the US Dollar Is Having Its Worst Year In Decades

US Dollar Index: Cumulative Annual Returns (1985 – 2025)



Source: Crescent Grove Advisors, Bloomberg. As of September 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



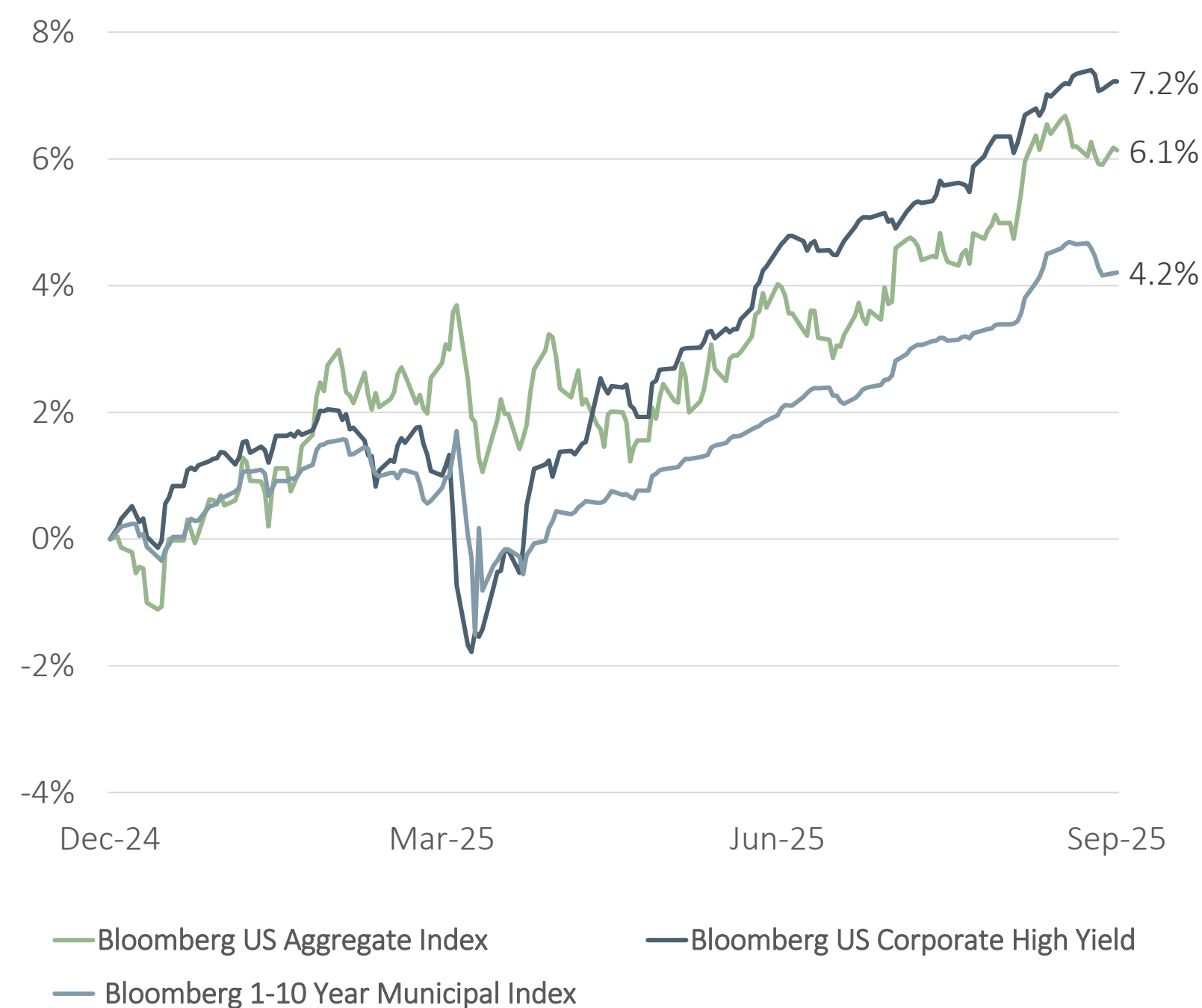
BOND MARKET RETURNS

RETURNS FOR MAJOR BOND INDICES

After a weak first half and a sluggish start to the current quarter, municipal bonds were among the best performing investment grade fixed-income sectors. The municipal market saw a resurgence of demand driven by attractive yields and more clarity around their tax-exempt status.

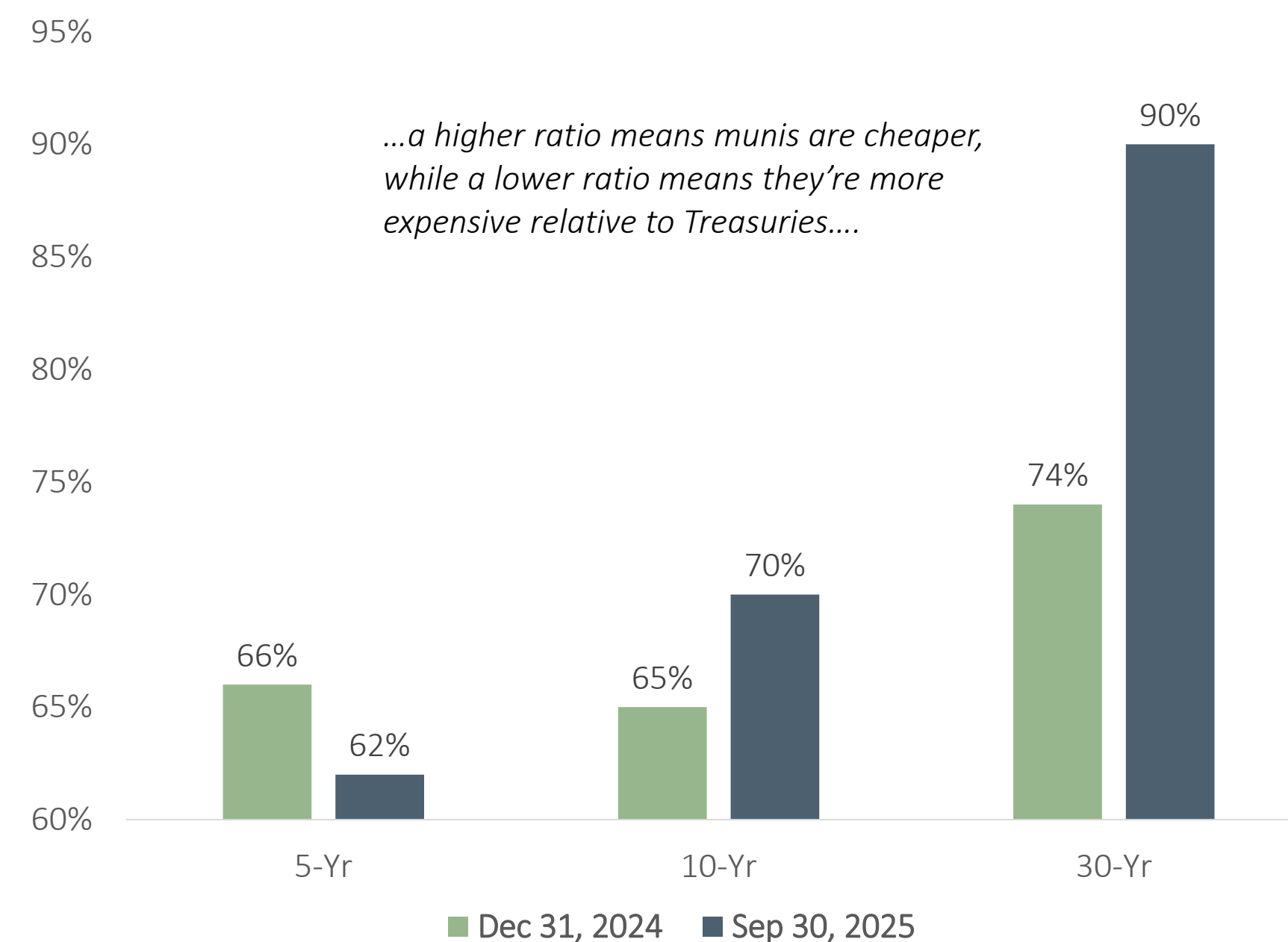
Bonds Rally as Easing Cycle Takes Hold

Major Bond Index Returns – YTD



Even with Q3 Rally, Long-Term Munis Remain Cheap

Municipal/Treasury Yield Ratios by Maturity



Source: Crescent Grove Advisors, Bloomberg. As of September 30, 2025. **Past performance is not a guarantee of future returns.** See important disclosures on the last page.



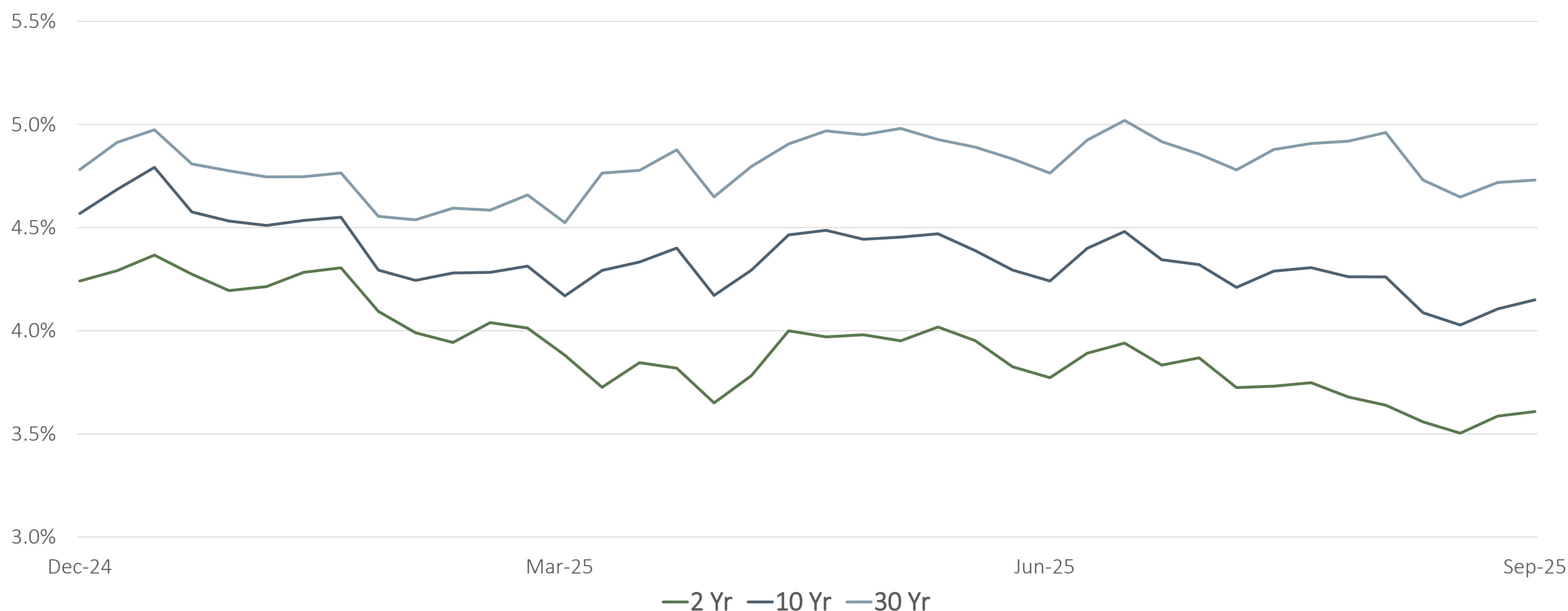
TREASURY YIELDS

BENCHMARK TREASURY YIELDS

Treasuries posted solid gains as investors anticipated a Fed rate cut in September. The Fed delivered a 25-basis-point reduction—the first since December 2024—and signaled potential for more cuts amid labor market weakness. Short-term rates rallied more than long-term rates, highlighting investor caution around persistent inflation.

Steepening Curve Forces Fed to Balance Growth Outlook Against Inflation Risks

Treasury Yields – YTD



Source: Crescent Grove Advisors, Bloomberg. As of September 30, 2025. See important disclosures on the last page.



CREDIT SPREADS

INVESTMENT GRADE AND HIGH YIELD CREDIT SPREADS

Both high yield and investment grade bonds delivered positive returns on the back of modest spread tightening. Investment grade bonds had an advantage over their high-yield counterparts, with their relatively longer duration providing a tailwind as interest rates fell during the quarter.

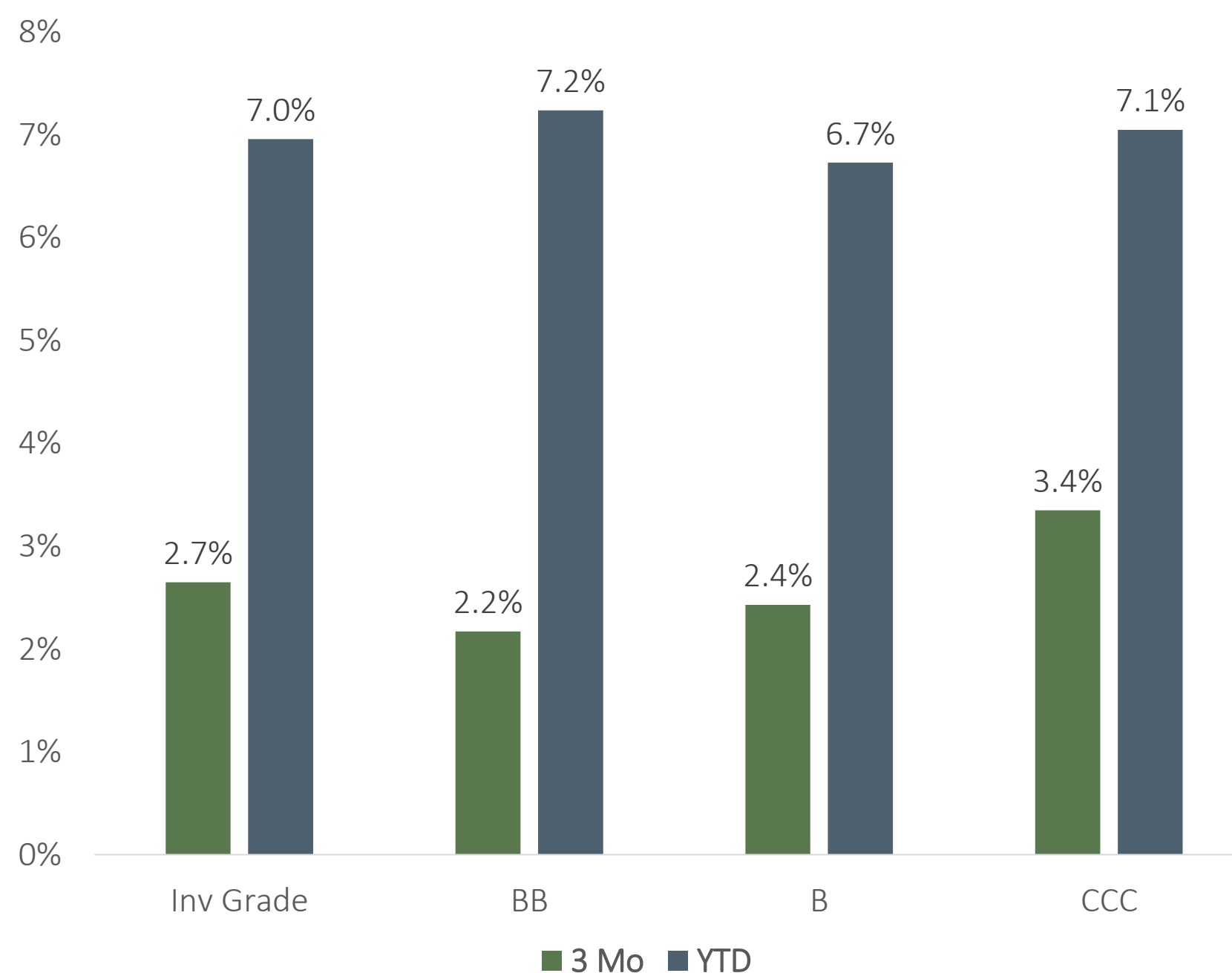
Inv Grade Credit Spreads Sink to 27-Year Low

Investment Grade and High Yield Corporate Spreads



Same Return, Different Rating

YTD Return by Corporate Credit Rating



Source: Crescent Grove Advisors, Bloomberg. As of September 30, 2025. Credit rating returns based on data for ICE BofA. **Past performance is no guarantee of future results.** See important disclosures on the last page.



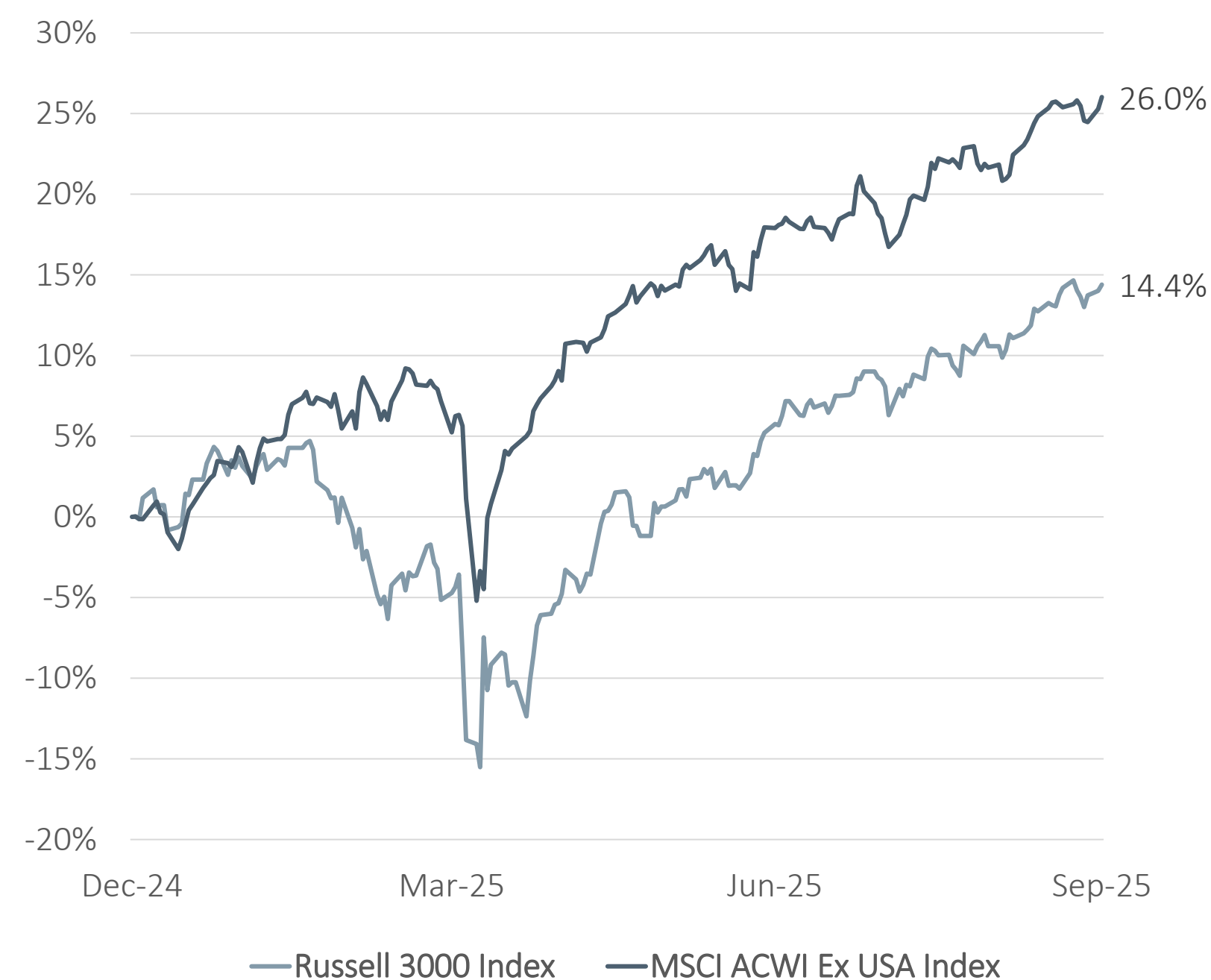
STOCK MARKET RETURNS: US VS. NON-US

RUSSELL 3000 VS. MSCI ACWI-EX USA INDEX

US stocks narrowed the YTD performance gap with international equities in Q3, driven by gains in AI-related names and their beneficiaries. Even so, non-US markets remain well ahead YTD, supported by policy tailwinds in Europe and China and a weaker dollar boosting returns for US investors.

Non-US Markets Outrun US Indices in 2025

US (Russell 3000) vs. Non-US (MSCI ACWI ex. USA)



Non-US Stocks: Cheap Relative to the US, Not to Their Own History

Global Equities: 12-Mo Forward P/E Relative to Last 20 Years



Source: Crescent Grove Advisors, Bloomberg. As of September 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



STOCK MARKET RETURNS: US LARGE VS. SMALL

S&P 500 INDEX VS. RUSSELL 2000 INDEX

Small cap stocks outperformed larger peers as the equity rally broadened beyond the Magnificent Seven. Small- and mid-cap equities trade at relatively attractive valuations, but the rally has been dominated by more speculative corners of the market, calling into question its sustainability.

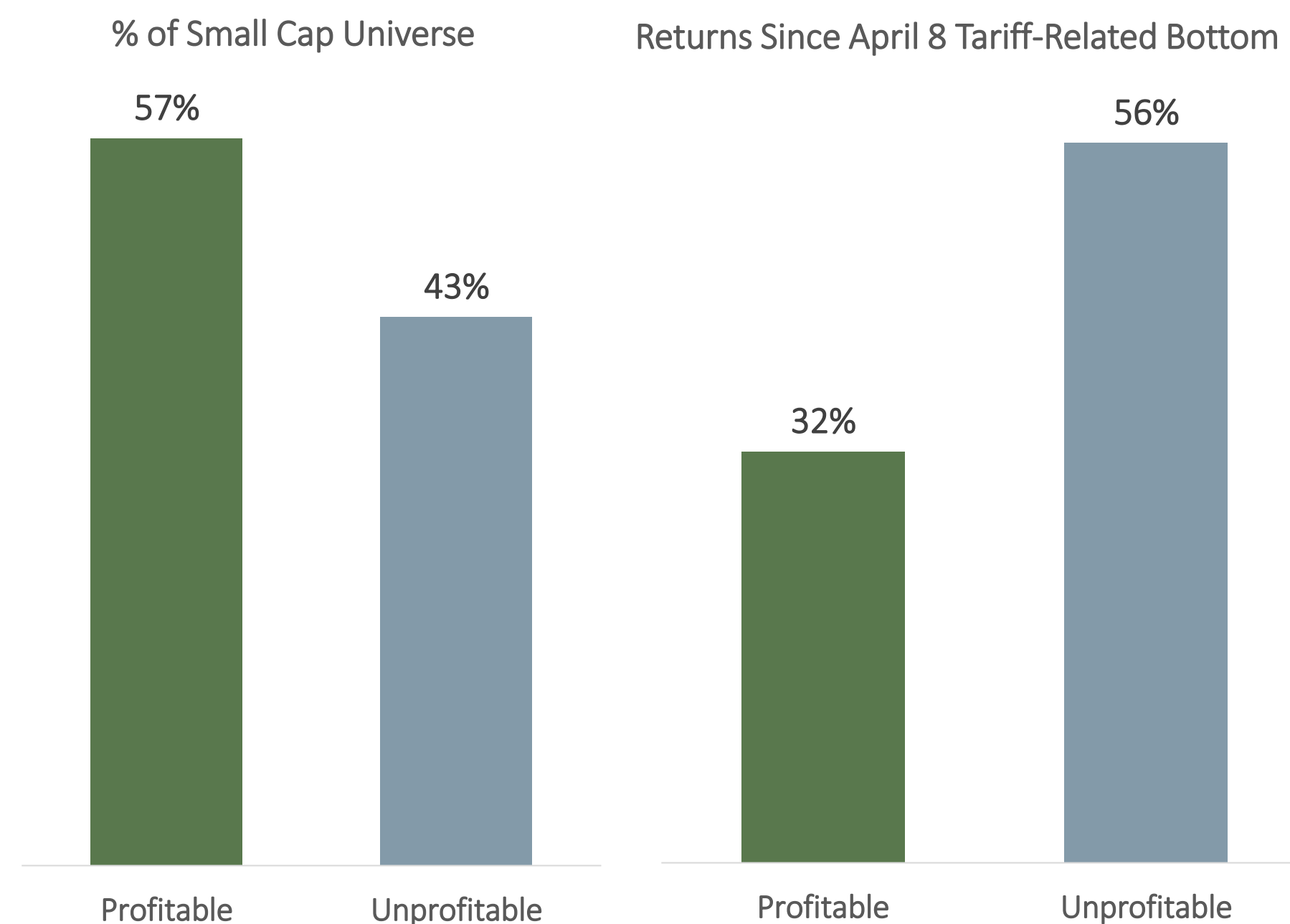
Broadening Rally: Small Caps Join the Party

US Large Caps (S&P 500) vs. Small Caps (Russell 2000)



The Small and Unprofitable: Market Rally Built on Speculation

Small Cap Universe: Profitable vs Unprofitable



Source: Crescent Grove Advisors, Bloomberg, Russell, Schwab Investment Research. As of September 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



STOCK MARKET RETURNS: DEVELOPED INT'L VS. EM

MSCI EAFE INDEX VS. MSCI EMERGING MARKETS INDEX

Emerging markets outperformed developed markets, supported by clearer US trade policy and ongoing US dollar weakness. China was a key driver of the quarter's gains, benefiting from government stimulus measures and growing investor interest in its technology sector.

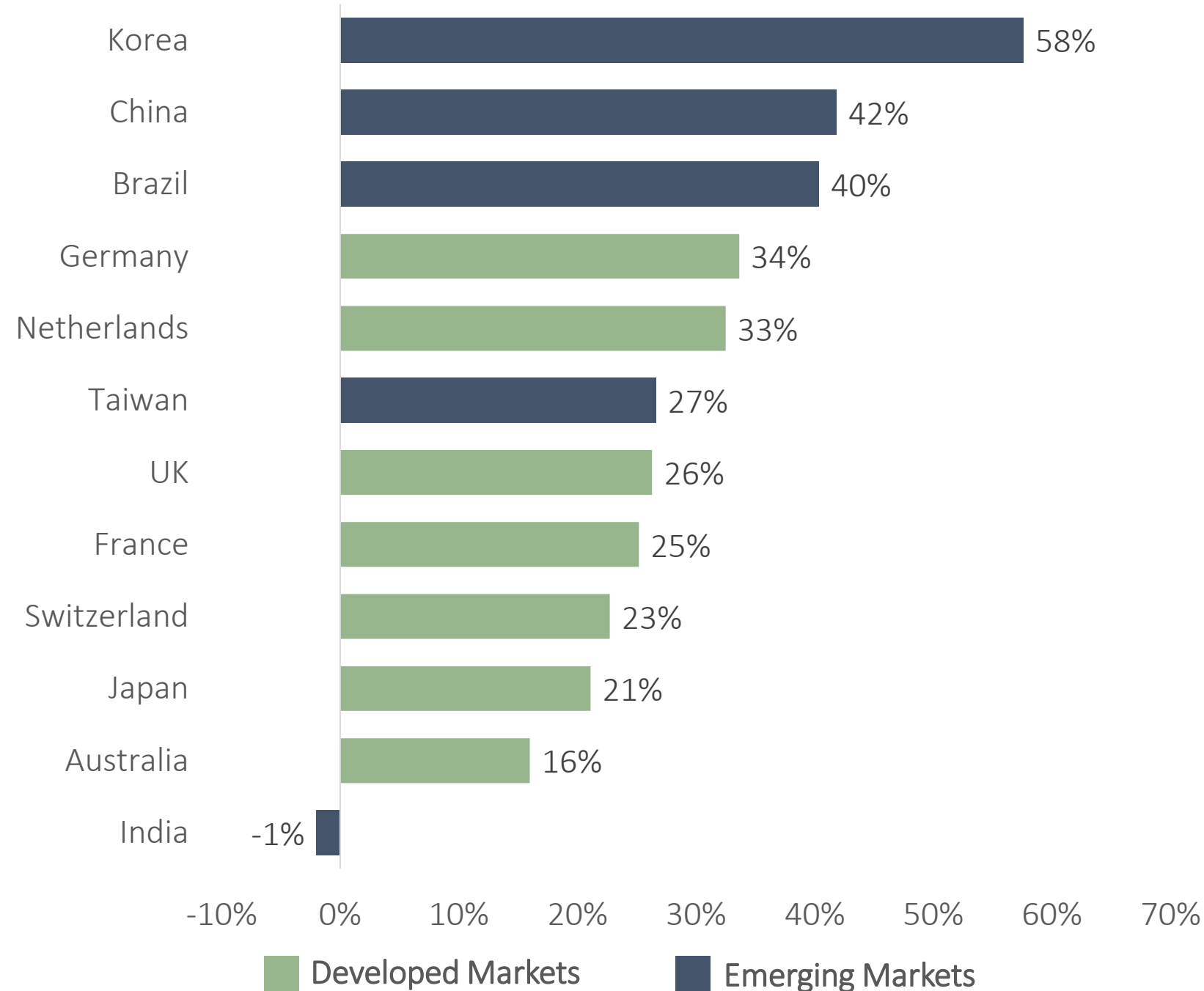
China Stimulus Sparks Broader EM Rally

Dev Int'l (MSCI EAFE) vs Emerging Markets (MSCI EM)



Non-US Equities Rally on US-Dollar Weakness

YTD Returns by Country (based MSCI Indices)



Source: Crescent Grove Advisors, Bloomberg. As of September 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



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Crescent Grove Advisors, LLC
2025

