

3Q 2025 Market Summary

Most asset classes delivered strong returns in the third quarter of 2025 as investors weighed massive growth in artificial intelligence (AI) infrastructure spending and lower interest rates against heightened geopolitical uncertainty.

US equity markets remained focused on the extraordinary investment required to build AI capabilities. Large technology firms are projected to spend hundreds of billions of dollars on semiconductors, data centers and related infrastructure over the next several years, spending that some analysts estimate accounted for nearly half of US GDP growth over the past year. Still, skepticism persists around the sustainability of this investment cycle, given the limited number of commercial AI applications to date. With “hyperscalers” now comprising roughly 40% of the S&P 500 Index’s total value, the index remains highly sensitive to shifts in expectations for AI-driven growth.

Separately during the quarter, the Federal Reserve cut its benchmark rate by 25 basis points to a range of 4.00% - 4.25%, signaling a shift in focus from inflation — which has moderated but remains slightly above its 2% target — toward a softening labor market. We continue to monitor both the overall health of the economy and the administration’s efforts to place politically aligned members on the Fed Board. Any erosion of the Fed’s independence could undermine market confidence and increase volatility. The recent rally in gold prices likely reflects these concerns. Historically, gold has served as a hedge during periods of policy uncertainty and market stress.

In this environment, maintaining a well-balanced, globally diversified portfolio remains essential to achieving long-term financial goals.

Equities

The S&P 500 Index rose 8.1% in the third quarter, bringing year-to-date gains to 14.8%. AI-related technology stocks led the advance, with growth outperforming value: the Russell 1000 Growth Index gained 10.5%, while the Russell 1000 Value Index rose 5.3%. Smaller companies also participated, as the Russell 2000 returned 12.4% and the Russell Midcap Index gained 5.3%.

International markets continued their rebound, with the MSCI EAFE Index up 4.8%, and emerging markets delivering a strong 10.6% return for the quarter.

Fixed Income

After a volatile start, fixed income markets ended the quarter higher following the Fed’s rate cut. The Bloomberg U.S. Aggregate Bond Index returned 2.0%, supported by lower yields and steady coupon income. Credit spreads tightened modestly, helping the Bloomberg U.S. Corporate High Yield Index return 2.5%.

While yields remain attractive in absolute terms, tighter spreads suggest certain sectors are fully valued. Investors should remain selective, emphasizing strong credit fundamentals and prudent duration

management.

Commodities

Oil prices were volatile, ending the quarter slightly lower at \$62 per barrel. Gold extended its rally, rising 16.4% for the quarter and 126% over the past three years as investors sought safety amid uncertainty.

The Bloomberg Commodity Index gained 3.7%, supported by rising energy and industrial metal prices. Looking ahead, growing energy demands from expanding data center infrastructure are likely to contribute to continued volatility across commodities markets.

Important Information:

The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Government/Credit 1-3 Year Index is an unmanaged index considered representative of performance of short-term US corporate bonds and US government bonds with maturities from one to three years.

The Bloomberg US High Yield Corporate Bond Index is a rules-based, market-value-weighted index engineered to measure publicly issued non-investment grade USD fixed-rate, taxable and corporate bonds.

The Core Personal Consumption Price Index measures the changes in the price of goods and services purchased by consumers for the purpose of consumption, excluding food and energy.

The LBMA Gold Price Index is the global benchmark for unallocated gold and silver delivered in London.

The Morningstar US Semiconductor Index measures the performance of companies that operate in the semiconductors industry in the US. This Index does not incorporate Environmental, Social, or Governance (ESG) criteria.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the US and Canada.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries

The MSCI Emerging Markets Index is an index designed to measure equity market performance in global emerging markets.

The Russell 1000 Growth Index is a broadly diversified index predominantly made up of growth stocks of large US companies.

The Russell 1000 Value Index is a broadly diversified index predominantly made up of value stocks of large US

companies.

The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

The Russell Midcap Index is a market capitalization-weighted index comprised of 800 publicly traded US companies with market caps of between \$2 and \$10 billion.

The Standard & Poor's 500 Index, often abbreviated as S&P 500, is an American stock exchange market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices. The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS energy sector.

The S&P 500 Momentum Index is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance.

The West Texas Intermediate (WTI) oil, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content.

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