



Benchmark Returns as of September 30, 2025

	For the Month	Year-to-Date		For the Month	Year-to-Date
S&P 500	3.65%	14.83%	Bloomberg Aggregate Bond Index	1.09%	6.13%
Dow Jones Industrial Average	2.00%	10.47%	Developed International	1.96%	25.72%
Nasdaq	5.68%	17.93%	Emerging Markets	7.18%	28.22%

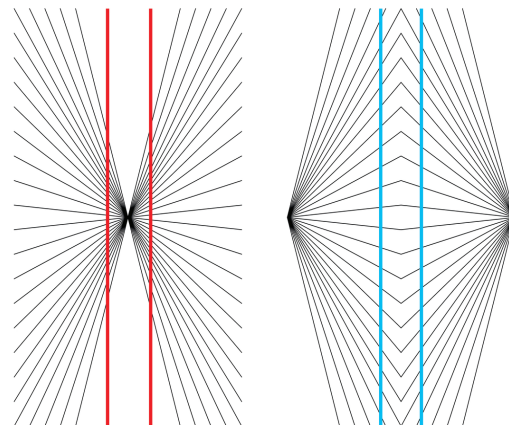
Parallels and Perils

For the second consecutive year, U.S. equity markets ignored the dreaded “September effect.” This year, both the S&P 500 and the Nasdaq had their best September performance in over a decade. The Dow Jones Industrial Average also notched record highs during the month. The rally broadened beyond the largest public companies, as the Russell 2000 (a widely watched small-cap index) reached a new record high for the first time since 2021.

Year-over-year comparisons are never identical, but there are several notable parallels **between September 2024 and September 2025**. That said, there are perils in the current environment that will likely garner investors’ attention as we enter the final quarter of 2025.

Parallels to September 2024:

- There were multiple new all-time closing highs for the S&P 500 index (five in 2024 and eight in 2025).
- The FOMC eased interest rates at their September meeting (0.50% and 0.25% for 2024 and 2025, respectively). The fed funds rate cuts followed Fed Chair Jerome Powell’s annual August remarks in Jackson Hole, WY. At both events, he gave strong hints of imminent policy changes. At the time of writing, the markets anticipate an additional 0.50% reduction in short-term rates before year-end 2025. The remaining FOMC meeting dates are October 28-29 and December 9-10.
- Monthly CPI and PCE Index reports showed that inflation came in above the Fed’s 2.0% target. The progress on reducing inflation over the last twelve months has been uneven. Still, prices are broadly contained, and reports have been in line with economists’ forecasts.
- Solid economic growth was reflected in the final release of Q2 GDP. The third (final) estimate of Q2 2025 GDP was revised higher to an annualized real rate of 3.8%. In the 2025 report, consumer spending contributed approximately 1.7% out of the full 3.8% GDP growth, making it a major driver of the upside revision and overall expansion.



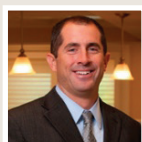
Perils in the current environment:

- There has been considerable weakening in the labor market in 2025. The most recent reports on job openings and payrolls showed straightforward evidence of a hiring slowdown. Further, the Bureau of Labor Statistics released its annual benchmark revision on September 9, 2025. In it, nonfarm payrolls were adjusted downward by 911,000 for the twelve months ending March 2025. This was one of the largest such revisions in history and signals a substantially weaker labor market than previously reported.
- AI euphoria is alive and well among investors, as optimism persists that future earnings can support today’s elevated valuations. Widely read market commentators have recently published more cautious, tempered views. As always, we consider the validity of these views as we incorporate shifts in investor sentiment into our portfolio positioning.
- Unlike September 2024, when Congress avoided a government shutdown by passing a continuing resolution that funded the government into December, the 2025 fiscal year-end deadline passed with Congress in a budget impasse. At the time of writing, the financial markets’ initial response to the spending halt has been muted.

Conclusion and October 2025 Outlook

September defied its bearish seasonal reputation for the second consecutive year, as major stock indexes ended on a high note across myriad measures. Still, we are aware of the risks entering the fourth quarter of 2025. These include the dynamics of government shutdowns and subsequent economic data delays, the course of the current interest rate easing cycle, and the upcoming third-quarter earnings season.

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