

Quarterly Newsletter

Fourth Quarter 2025

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Newsletter Snapshot:

Equity markets have reached new all time highs off of better than expected earnings.

Tariff impact has been muted so far but inflation is likely to remain elevated.

A.I. tech spending has added a big boost to the U.S. economy.

Markets steadily climbed higher in the Third Quarter of 2025. Nearly all major asset classes, as shown below, have grown in value in 2025 in spite of record tariff increases and the second longest government shutdown in U.S. history. Since the start of the year, a sample portfolio, as shown to the right, with 60% stocks and 40% bonds diversified across these three indices produced a positive return of 13.20% through September 30.

Market Update: What has driven the market higher?

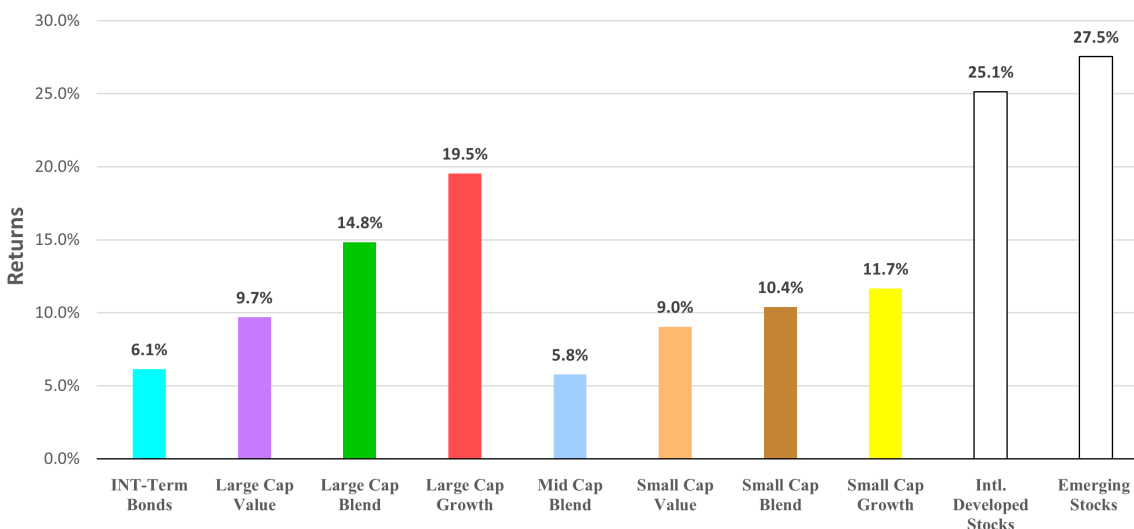
Economic fundamentals have been stronger than expected, particularly given the potential negative impact that many had feared when the tariffs were announced in early April. Secondly, inflation has remained cool enough to allow the Federal Reserve to begin a phase of rate cuts. Prospects for lower interest rates helped boost and broaden investor enthusiasm, leading to higher returns across the board but particularly in companies and sectors related to artificial intelligence. In the chart below, the red "Large Cap Growth" category has the highest exposure to A.I. related businesses.

Two reminders of why we encourage diversification: International (white) was the worst performer in 2024. As of March, 2025 large growth stocks (red) were down 8.5% and the third worst performing category. In a turn of events, international stocks and large cap growth stocks became top performers Year-to-Date.

Category	Year-To-Date Return
US Stocks	14.80%
International Stocks	25.14%
Bonds	6.13%
Diversified 60-40	13.20%

Source: Morningstar as of 9/30/2025, Total Returns including dividends. US Stocks: S&P 500 Index, International Stocks: MSCI EAFE NR USD, Bonds: Bloomberg U.S. Aggregate Bond Index. Diversified 60/40: 42% S&P 500, 18% MSCI EAFE, 40% Bloomberg US Aggregate Bond. For illustrative purposes only, not indicative of portfolio returns.

Year-to-Date Returns as of 09/30/2025



Major stock categories reversed the spring tariff decline and turned positive over the summer with year to date gains through September.

Underlying benchmark indexes of each category shown can be found on the bottom of page 4.

Tariff Update

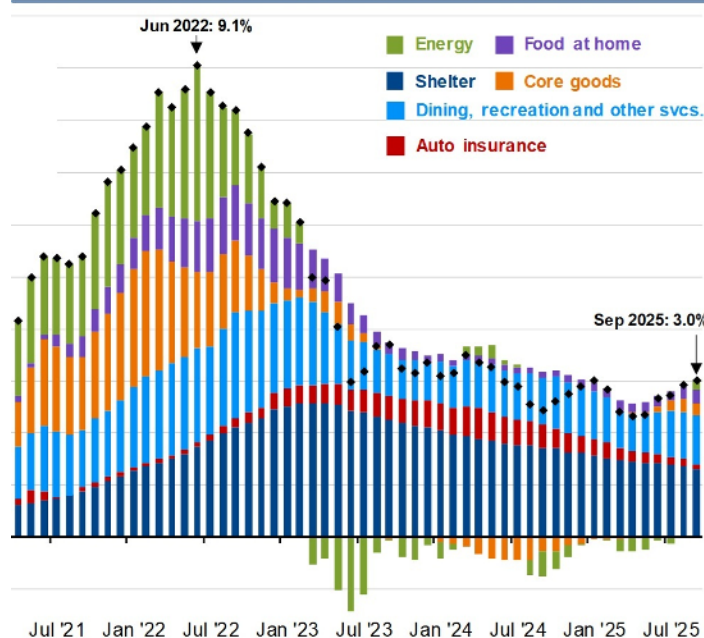
Tariffs have not been as inflationary as expected. The chart to the right shows that core goods inflation (orange) has risen, but it pales in comparison to the trade disruption caused by the pandemic in 2021 and 2022.

We believe a few factors contributed to the muted inflation impact. First, many companies were able to front-load imports and build inventory ahead of the tariffs. Second, initial tariff rates announced on April 2 were paused for 90 days. A temporary flat 10% tariff rate was imposed for most countries through early August. Third, effective tariff rates are now at lower levels than the original announcement. Lastly, two of the largest U.S. trading partners, Mexico and China, remain on pause with new extensions announced in late October.

The table in the chart below shows \$144 billion of tariff revenue collected this year. The effective tariff rate has hovered around 10% since June. J.P. Morgan estimates tariff rates could drift toward 16.1%. Given these factors, anticipation is for a gradual yet moderate increase in goods inflation over the next year.

Contributors to headline CPI inflation

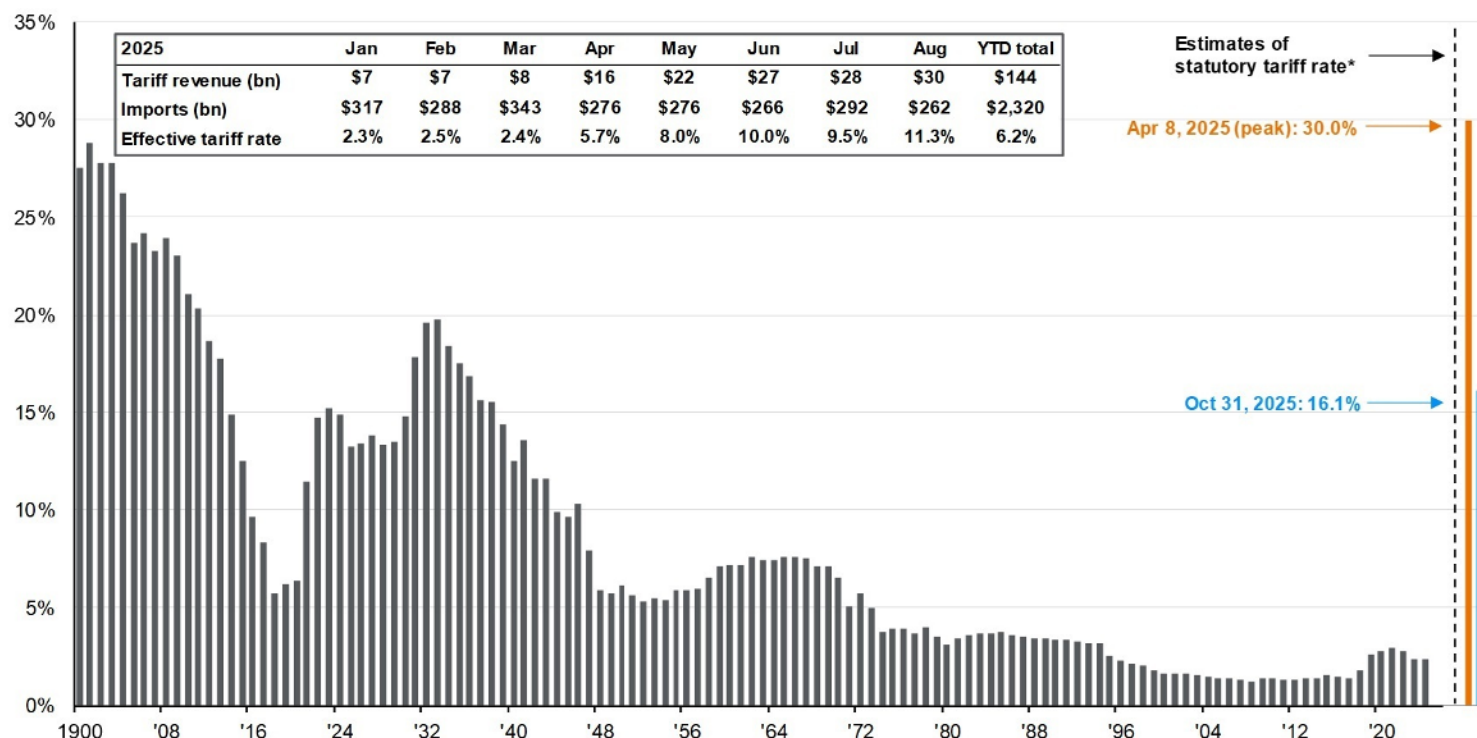
Contribution to year-over-year % change in CPI, non-seasonally adjusted



Source: JPMorgan, BLS - table 7 of the CPI report. Values may not sum to headline CPI figure due to rounding. Shelter includes owners' equivalent rent, rent of primary residence and home insurance. Food at home includes alcoholic beverages. Guide to the Markets 10/30/25.

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2024



Source: JPMorgan Asset Management. For illustrative purposes only. The estimated weighted average statutory tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Figures are based on 2024 import levels and assume no change in demand due to tariff price increases. Tariff revenue data is from the Monthly Treasury Statement (US Dept of Treasury). Import figures from the U.S. Census Bureau. Forward looking statements from JPMorgan are based on current expectations, actual outcomes may differ materially. JPMorgan Guide to the Markets - data through October 31, 2025.

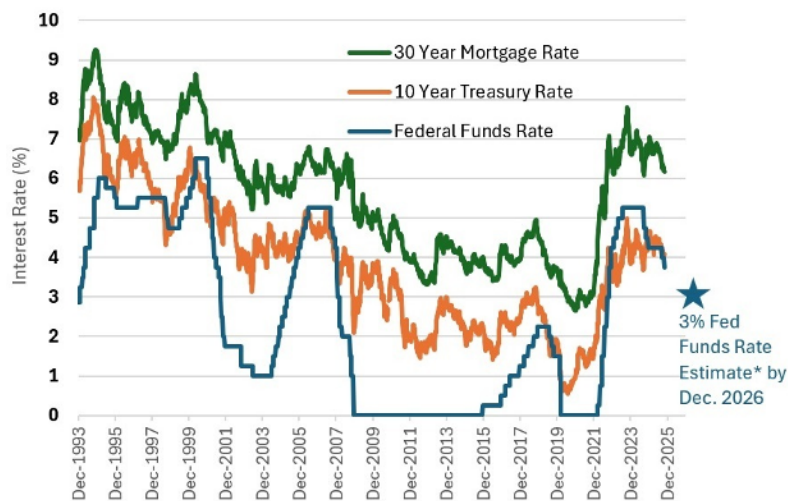
Federal Reserve's Concern Shifting from Inflation to Jobs

Tariffs are likely to keep inflation above the Fed's preferred target of 2%, but for now their concern has turned toward jobs. The chart to the right shows the number of new hires added to the U.S. economy. Since May, the U.S. economy has added an average of just 27,000 new workers per month. That compares to an average of 192,000 in the previous two years.

Federal Reserve Chair Jerome Powell said the sluggish job creation is the primary reason the Federal Reserve lowered interest rates by 0.25% in September and October.



Federal Funds Rate vs 10 Year Treasury & Avg. 30 Year Mortgage Rates



Source: Ycharts through 10/30/25. Estimate from JPMorgan Guide to the Markets based on USD Overnight Index Swaps - Market based expectations may differ from Federal Reserve expectations and are for illustrative purposes only. Actual future rates may differ materially.

Interest Rates May Land Near 3%

Most Fed officials expect to continue gradual 0.25% cuts to the Federal Funds Rate until reaching 3% sometime in 2026 (see chart). On October 29, 2025 Fed Chair Powell said that a December rate cut is not a given, but the path for rates is still expected to be lower. Market-based estimates give a 70% chance the Fed Funds Rate will be 3% or less by December 2026. Gradual rate cuts generally provide a positive environment for stocks and bonds. "Don't fight the fed."

Keep in mind, longer term rates are determined by markets, not the Federal Reserve. Over the last 30 years, the 10 year treasury rate averaged 1.3% over the Fed Funds rate. 30 year mortgage rates averaged 3.1% over the Fed Funds rate.

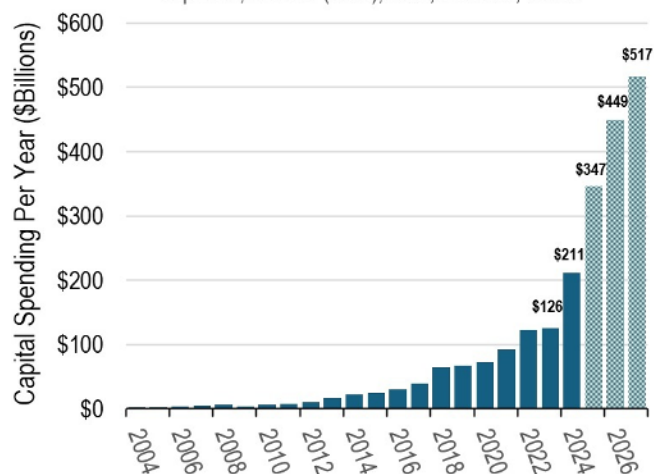
Massive AI Investment Boosting Economic Activity

One of the key initial impacts of AI is the investment spent on AI related infrastructure and data center construction. The chart to the right shows five of the largest tech companies will likely have spent \$350 billion dollars combined in 2025 with another \$400 billion in spending on the way in 2026 and 2027. For perspective, Apple's entire annual revenue over the last 12 months was around \$400 billion (Source: YCharts). Bridgewater and Associates estimate that tech capex spending has contributed between 35%-45% of overall US GDP growth for the three quarters ending in June.

Conclusion: October was the sixth straight positive monthly return for the S&P 500, the longest run since August 2021. It's a time to remember that even strong markets can experience an occasional pullback. As always we remind investors to think long-term when making investment decisions.

Annual capex from the major AI hyperscalers*

Alphabet, Amazon (AWS), Meta, Microsoft, Oracle



Source: JPMorgan Asset Management, Bloomberg. "Capex": capital expenditures are funds a company spends on long-term assets like property or equipment to maintain or expand its business. Capex are company totals, except for Amazon (AWS only).
*Hyperscalers are large cloud computing companies that own and operate data centers for AI workloads. 2025, 2026 & 2027 are forecasted consensus estimates.

Spectrum Investor® Update

As of September 30, 2025

Morningstar Category Averages	YTD	1 Year	3 Year
Intermediate-Core Bond	6.01%	3.00%	4.98%
Moderate Allocation	10.31%	9.52%	14.34%
Large Cap Value	11.33%	9.66%	17.10%
Large Cap Blend	13.10%	14.57%	22.31%
Large Cap Growth	15.25%	21.73%	28.11%
Mid Cap Value	7.87%	6.09%	15.19%
Mid Cap Blend	7.71%	7.73%	16.13%
Mid Cap Growth	9.26%	13.41%	17.23%
Small Cap Value	4.97%	5.11%	13.96%
Small Cap Blend	6.31%	6.31%	14.50%
Small Cap Growth	6.32%	8.11%	14.04%
Foreign Large Cap Blend	24.96%	15.77%	20.96%
Real Estate	3.20%	-4.08%	8.52%
Natural Resources	27.03%	14.01%	13.26%

Source: Morningstar. 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in Blue = Best, Returns in Red = Worst. Please see Benchmark Disclosures below.

Data as of 9/30/25 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

As of September 30, 2025

DOW: 46,397

NASDAQ: 22,660

S&P 500: 6,688

Barrel of Oil: \$62.37

10 Yr T-Note: 4.15%

Inflation Rate: 3.0% (September, 2025)

Unemployment Rate: 4.3% (September, 2025)

Source: Yahoo Finance, bls.gov, eia.gov



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Benchmark Disclosures: Morningstar Category Averages: Morningstar classifies mutual funds into peer groups based on their holdings. The Category Average calculates the average return of mutual funds that fall within the category during the given time period. The following indexes and their definitions provide an approximate description of the type of investments held by mutual funds in each respective Morningstar Category. One cannot invest directly in an index or category average. Index returns do not reflect trading, advisory and other fees and expenses which are incurred in your actual investment accounts and would reduce your returns. Intermediate-Term Bonds: Bloomberg US Agg Bond Index—Measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS. Allocation 50%-70% Equity—These funds invest in both stocks and bonds and maintain a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash. Large Cap Value: S&P 500 Value Index—Measures the performance of value stocks of the S&P 500 index by dividing into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Large Cap Blend: S&P 500 Index—A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Large Cap Growth: S&P 500 Growth Index—Measures the performance of growth stocks drawn from the S&P 500 index by dividing it into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Mid Cap Value/Mid Cap Growth: S&P MidCap 400 Index—A market cap weighted index that covers the complete market cap for the S&P 400 Index. All S&P 400 index stocks are represented in both and/or each Growth and Value index. Mid Cap Blend: S&P MidCap 400 Index—Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. Small Cap Value: Russell 2000 Value Index—Measures the performance of small-cap value segment of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Small Cap Blend: Russell 2000 Index—Measures the performance of the small-cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Foreign Large Cap Blend: MSCI EAFE NR Index—This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-US, developed country indexes. International Developed Stocks: MSCI EAFE NR Index. Emerging Stocks: MSCI Emerging Markets Index—captures large and mid cap representation across 24 Emerging Markets (EM) countries. Small Cap Growth: Russell 2000 Growth Index—Measures the performance of small-cap growth segment of Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. Real Estate: DJ US Select REIT Index—Measures the performance of publicly traded real estate trusts (REITs) and REIT-like securities to serve as proxy for direct real estate investment. Natural Resources: S&P North American Natural Resources Index— Measures the performance of US traded securities classified by the Global Industry Classification Standard (GICS) as energy and materials excluding the chemicals industry and steel but including energy companies, forestry services, producers of pulp and paper and plantations. Past performance is no guarantee of future results. This report is for informational purposes only and should not be construed as a recommendation or solicitation to buy or sell any security, policy or investment. PE Ratio is the measure of the share price relative to the annual net income earned by the firm per share.