

# Capital Market Review / 3rd Quarter 2025

## The Big Picture

### *Voting or Measuring*

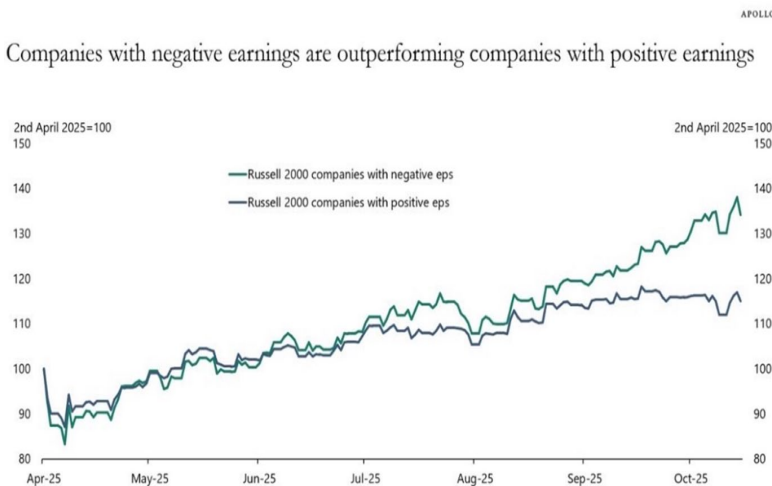
“In the short run the market is a voting machine, but in the long run, it is a weighing machine.” – Benjamin Graham

There is a great deal of wisdom in this famous quote. However, like many wise words they are far easier to say than to live by.

No one likes to see a fund manager underperforming over a quarter and when they do, we immediately believe they have done something wrong. Often however it is the market not the manager that has temporarily lost its way.

According to Bloomberg as of October 2025 inside the Russell 2000 there are 1120 companies with positive earnings per share and 806 had negative earnings per share. Since the downturn in April the companies with negative earnings are up over 30 percent while the ones with positive earnings are up a little more than 10 percent.

Companies with negative earnings are outperforming companies with positive earnings



Sources: Bloomberg, Apollo Chief Economist. Using Russell 2000 Companies as of October 2025 with trailing eps.

The market is in voting mode, while we prefer managers who weigh things. Patience is in order.

*Companies with negative earnings per share are up more than 30 percent.*

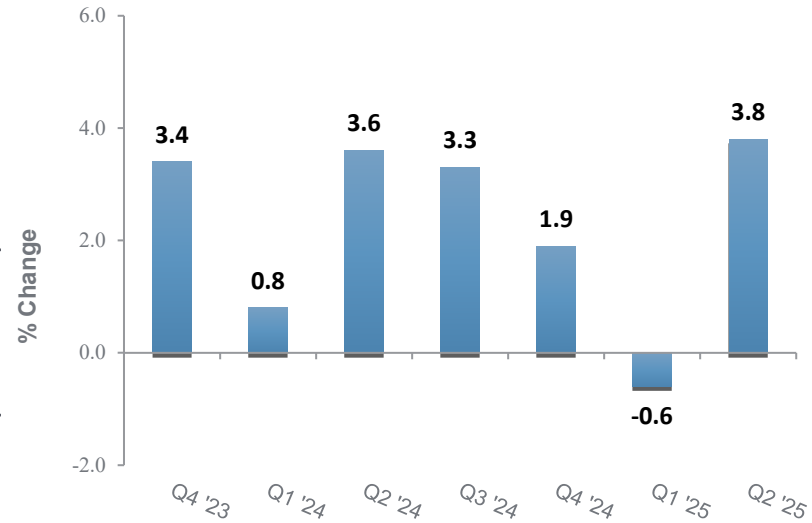
## The Economy

The 2nd quarter 2025 GDP growth came in up 3.8 percent, thanks to a sharp drop in imports. GDPNow shows the economy growing by 3.8 percent once again in the 3rd quarter, but this is not being updated due to the government shutdown. The first half of 2025 averaged out to 1.6 percent growth and that is probably the most accurate picture of the current economy.

The official unemployment rate was 4.3 percent through August. The economy only created 22,000 jobs. That isn't nearly enough for a healthy economy. We won't have numbers for September until the government reopens.

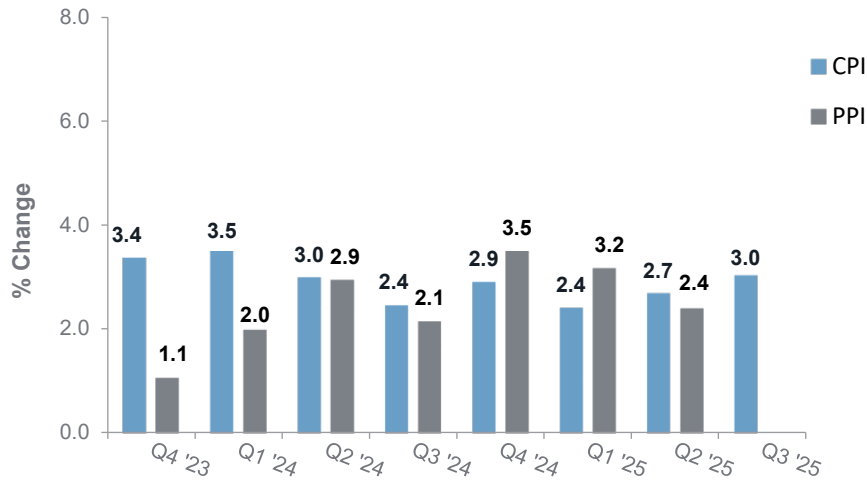
Inflation is 3.0 percent based on the latest consumer price index report. Inflation has inched up although it is still less than many feared. The producer price index, which tracks wholesale prices, was up 2.6 percent over the last 12 months through August.

Domestic GDP



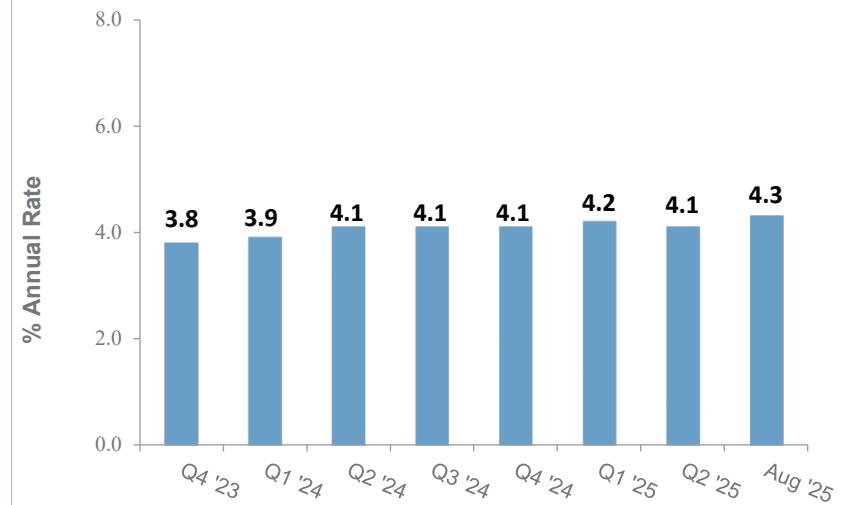
Source: Factset  
Source: Factset

Inflation Indicator  
12 month unadjusted



Source: Bureau of Economic Analysis

Unemployment Rate



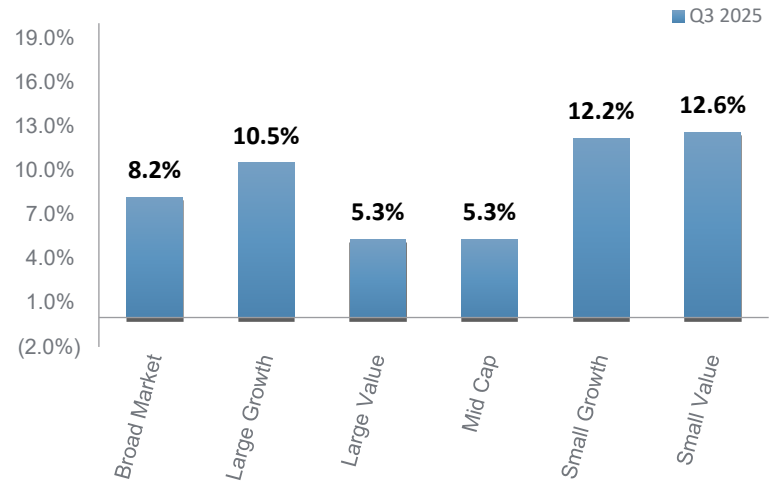
Source: Bureau of Labor Statistics

## Domestic Equity Markets

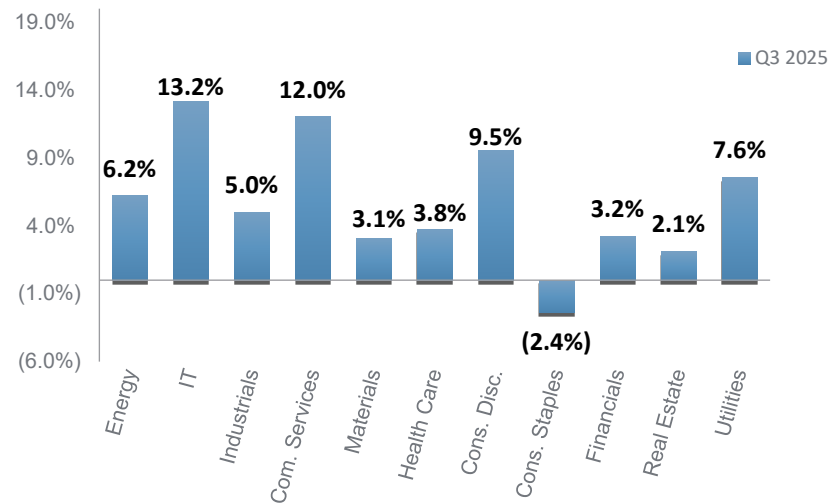
**The market rose in the 3rd quarter.** For the quarter, the S&P 500 finished up 8.12 percent, while small company stocks represented by the Russell 2000 index were up 12.29 percent. Growth outperformed in large caps with the Russell 1000 Growth index up 10.51 percent while the value index was up 5.33 percent. For small companies, value outperformed up 12.60 percent, and the growth index was up 12.19 percent.

Technology was the best place to be, followed by communication services, for the second quarter in a row. Consumer staples was the only negative sector. All other sectors were up in what was a much broader market than the 2<sup>nd</sup> quarter.

Domestic Equity Market Returns



S&P GICS Sector Returns

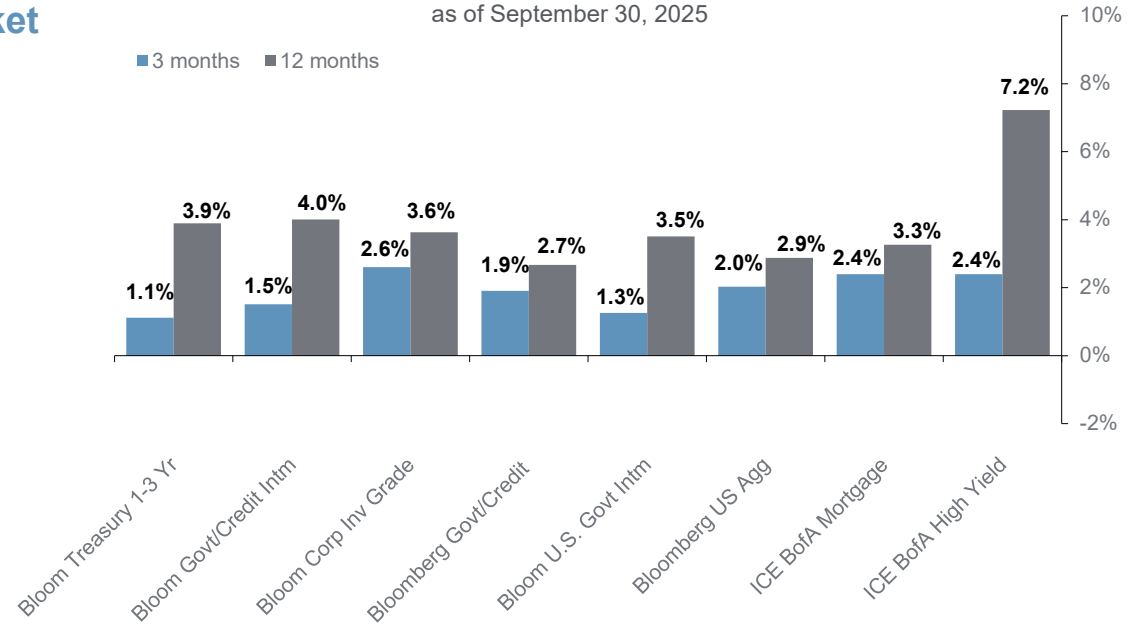


## Domestic Fixed Income Market

**Bonds were also up.** The Bloomberg US Aggregate Bond index ended up 2.03 percent. High yield bonds rose 2.40 percent. Bond yields dropped slightly.

The ten-year Treasury ended the quarter with a 4.15 percent yield. The yield curve remains negative at the short end but less so than it has been. The longer end remains normally sloped.

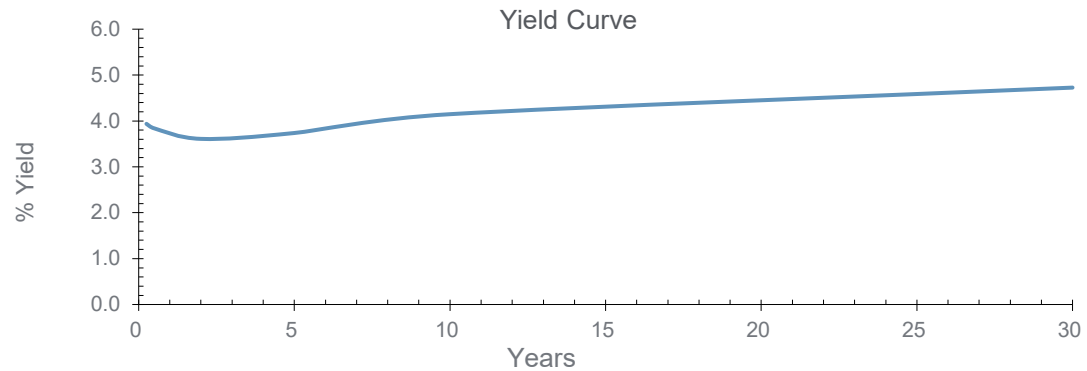
U.S. Fixed Income Market Performance  
as of September 30, 2025



### Yield Curve as of Sept 30, 2025

Time to Maturity      Interest Rate

3 Month	3.94
6 Month	3.84
2 Year	3.61
5 Year	3.74
10 Year	4.15
30 Year	4.73

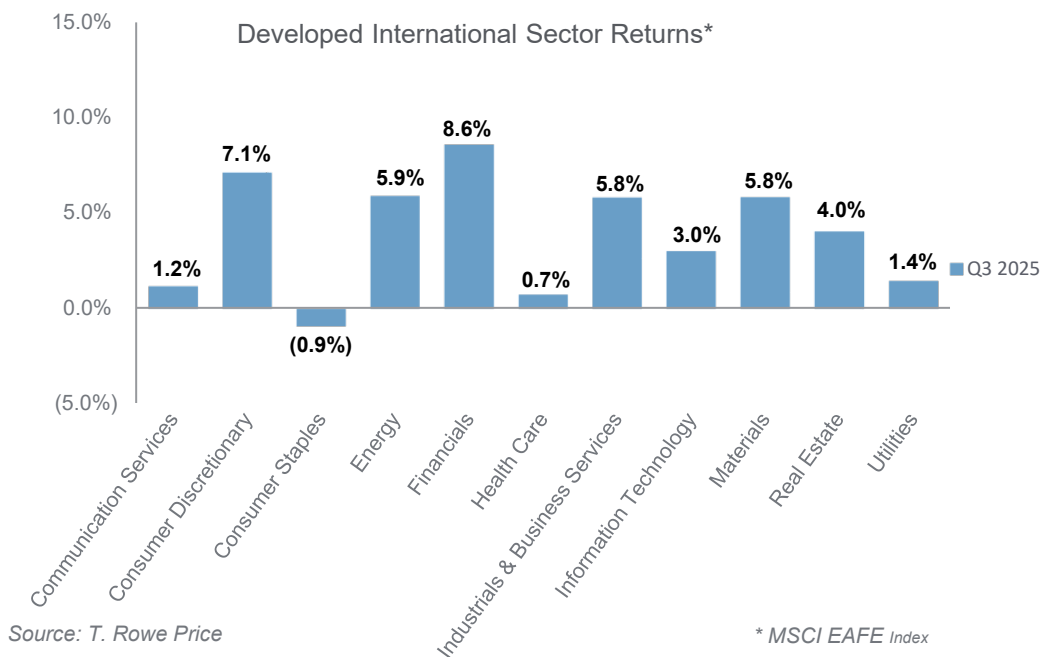


## International Markets

**International stocks kept up the solid performance.** The EAFE index finished up 4.77 percent and the MSCI Emerging Markets index ended the quarter up 10.64 percent.

The dollar stabilized during the quarter. It remains at a weak level but has stayed in a tight range between 1.16 to 1.17 to the Euro. As a result, there was only a 0.27 percent currency effect to European stocks.

China rebounded strongly up over 20 percent for the quarter. Once again, the give and take between China and India continued with India posting a loss. Emerging markets were behind only Small caps as the best place to be.



## MSCI Country Returns Three Months Ending September 30, 2025

	Return US\$ (%)	Return Local Currency (%)	Currency Effect (%)
Austria	9.13%	9.02%	0.11%
Belgium	8.22%	8.12%	0.11%
Denmark	-12.96%	-13.01%	0.04%
Finland	5.63%	5.53%	0.10%
France	3.22%	3.12%	0.10%
Germany	-1.12%	-1.22%	0.10%
Ireland	2.14%	2.04%	0.10%
Italy	8.45%	8.35%	0.11%
Netherlands	9.69%	9.59%	0.10%
Norway	0.84%	-0.57%	1.41%
Portugal	6.47%	6.37%	0.10%
Spain	12.96%	12.85%	0.11%
Sweden	3.84%	2.67%	1.16%
Switzerland	1.48%	1.44%	0.04%
UK	5.89%	7.78%	-1.90%
<b>Europe Total</b>	<b>3.66%</b>	<b>3.93%</b>	<b>-0.27%</b>
Australia	9.13%	9.02%	0.11%
Hong Kong	8.22%	8.12%	0.11%
Japan	8.18%	10.60%	-2.43%
New Zealand	5.63%	5.53%	0.10%
Singapore	8.85%	9.88%	-1.03%
<b>Pacific Total</b>	<b>7.22%</b>	<b>8.58%</b>	<b>-1.36%</b>
Brazil	8.44%	6.21%	2.24%
China	20.76%	19.80%	0.96%
Greece	12.23%	12.12%	0.11%
Hungary	5.86%	3.07%	2.79%
India	-6.63%	-3.33%	-3.30%
Indonesia	-3.07%	-0.51%	-2.57%
Korea	12.83%	17.30%	-4.47%
Mexico	13.32%	9.96%	3.36%
Poland	0.77%	1.16%	-0.39%
Thailand	17.57%	17.19%	0.38%
<b>Emerging Markets</b>	<b>10.95%</b>	<b>12.49%</b>	<b>-1.54%</b>

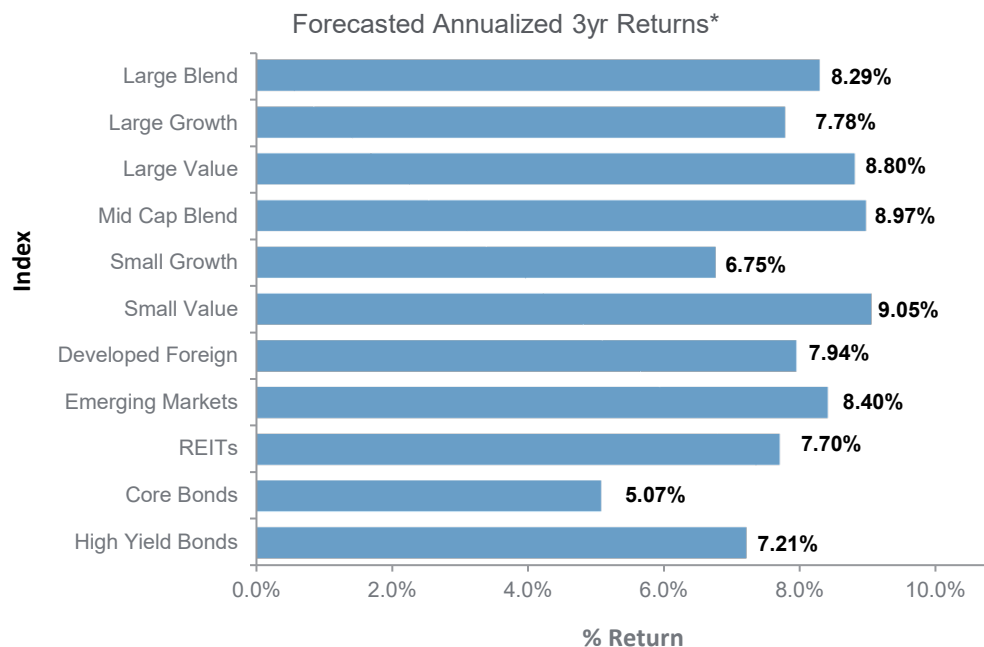
Source: MSCI

## Market Forecast

**The world is chaotic, but the market keeps climbing.** With all the news the one consistently positive thing has been corporate earnings, and that is what drives markets. We are still optimistic going into the 4th quarter.

International will likely continue to do relatively well as a weak dollar will assist US investors in foreign markets. Small companies remain a better value, and they finally got some good momentum this past quarter. We suspect that will continue.

Bonds have done their job and stabilized in this range just above 4 percent. The Fed has begun to lower rates as we suspected. This will likely steepen the yield curve with short-term rates falling, but the longer-term rates remaining in their range.



Changes in Return Expectations  
as of September 30, 2025

Asset Class	Change Over Quarter	Change Over Year
Large Blend	-0.09%	-0.31%
Large Growth	-0.04%	-0.23%
Large Value	-0.06%	-0.35%
Mid Cap Blend	-0.04%	-0.27%
Small Growth	-0.06%	-0.07%
Small Value	-0.25%	-0.34%
Developed Foreign	-0.06%	-0.35%
Emerging Markets	-0.30%	-0.42%
REITs	-0.13%	-0.20%
Core Bonds	-0.06%	-0.20%
High Yield Bonds	-0.12%	-0.30%

\*Forecasted 3-year annualized returns represent Iron Capital's investment return expectations for various asset classes over the next 3 years. They are calculated using a weighted average of historic returns and forward return assumptions. They are meant to be a tool to judge relative attractiveness of asset classes and not a guarantee of future investment returns.

## SELECTED INDEX RETURNS - PERIODS ENDING SEPTEMBER 30, 2025

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
<b>US EQUITIES</b>						
Broad Stock Market - Russell 3000	8.18%	14.40%	17.41%	24.12%	15.74%	14.71%
Large Stocks - S&P 500	8.12%	14.83%	17.60%	24.94%	16.47%	15.30%
Dow Jones Industrial Average	5.67%	10.47%	11.50%	19.63%	12.98%	13.50%
Medium-Size Stocks - Russell Mid-Cap	5.33%	10.42%	11.11%	17.69%	12.66%	11.39%
Small Stocks - Russell 2000	12.39%	10.39%	10.76%	15.21%	11.56%	9.77%
Small Value Stocks- Russell 2000 Value	12.60%	9.04%	7.88%	13.56%	14.59%	9.23%
Small Growth Stocks- Russell 2000 Growth	12.19%	11.65%	13.56%	16.68%	8.41%	9.90%
Large Value Stocks - Russell 1000 Value	5.33%	11.65%	9.44%	16.96%	13.87%	10.72%
Large Growth Stocks - Russell 1000 Growth	10.51%	17.24%	25.53%	31.61%	17.58%	18.83%
<b>US FIXED INCOME</b>						
1-3 Yr Treasury (Gov't) Bonds - Bloomberg	1.12%	3.99%	3.89%	4.36%	1.53%	1.67%
US Government Bonds Int - Bloomberg	1.26%	5.28%	3.51%	4.35%	0.36%	1.55%
US Corporate Inv Grade Bonds - Bloomberg	2.60%	6.88%	3.63%	7.07%	0.35%	3.12%
Government/Credit (Corp) Bonds - Bloomberg	1.91%	5.93%	2.67%	4.87%	-0.61%	1.99%
Int Govt/Credit (Corp) Bond - Bloomberg	1.51%	5.70%	4.01%	5.18%	0.81%	2.10%
US Aggregate Bond Market - Bloomberg	2.03%	6.13%	2.88%	4.93%	-0.45%	1.84%
Mortgage Backed Securities - ICE BofA	2.40%	6.64%	3.26%	5.01%	-0.18%	1.42%
US High Yield Bonds - ICE BofA	2.40%	7.06%	7.23%	10.97%	5.53%	6.07%
<b>INTERNATIONAL (Measured in US Dollars)</b>						
Non-US Stocks - MSCI EAFE	4.83%	25.72%	15.58%	22.33%	11.71%	8.70%
World Stocks (includes US) - MSCI World	7.36%	17.83%	17.75%	24.29%	14.94%	13.00%
European Stocks - MSCI Europe	3.66%	28.22%	15.81%	23.69%	12.88%	8.80%
Japanese Stocks - MSCI Japan	8.18%	21.11%	16.78%	21.65%	9.37%	8.63%
Asian Stocks (Ex-Japan) - MSCI Pacific ex-Japan	5.29%	20.74%	9.74%	15.94%	9.79%	8.32%
Chinese Stocks - MSCI China	20.76%	41.85%	30.99%	19.69%	0.58%	6.95%
Indian Stocks - MSCI India	-6.63%	-0.51%	-11.09%	11.45%	14.01%	9.55%
Emerging Markets - MSCI EM	10.95%	28.22%	18.17%	18.81%	7.51%	8.43%
Int'l Gov't Bonds -FTSE Non-USD World Gov't Bond	-0.80%	9.00%	1.26%	5.17%	-4.22%	-0.25%
<b>REAL ESTATE</b>						
FTSE NAREIT Equity-Reits Index	4.77%	4.51%	-1.98%	10.80%	9.33%	6.56%
<b>SHORT TERM INTEREST RATES</b>						
T-Bills	1.11%	3.34%	4.61%	4.98%	3.10%	2.13%

Note: Returns for periods longer than 12 months are annualized.