

October 9, 2025

Q3 2025 Quarterly Investment Letter | Market Commentary

Dear Valued Clients,

We are pleased to share our Q3 2025 market commentary and reflections. The past quarter marked a continuation of the year's strong equity performance, supported by improving investor sentiment, resilient economic data, and increasing clarity around global policy developments.

At 49 Financial, our mission remains unchanged—to help you pursue long-term wealth creation through disciplined investment strategies, informed by fundamentals rather than short-term noise.

Market Overview

The third quarter of 2025 saw broad-based gains across global equities, with both developed and emerging markets reaching new all-time highs. Investors grew more optimistic as inflation data showed signs of gradual moderation and as the Federal Reserve signaled a more dovish stance going into year-end.

Supporting this optimism were several favorable economic indicators:

- Stable U.S. unemployment and continued labor market strength
- A weaker U.S. dollar, which bolstered international returns
- Clarity on tariff policies and global trade conditions
- Persistent enthusiasm surrounding artificial intelligence (AI) and its potential to enhance productivity and earnings growth

While inflation remains above the Fed's 2% target, the overall trajectory of prices and wages suggested a controlled slowdown—fueling confidence that the economic expansion can continue without triggering a deep recession.

Portfolio Positioning and Investment Themes

All portfolios benefited from broad diversification and exposure to equity markets, which continued to be the dominant driver of returns through 2025.

The strongest contributors to market performance included growth-oriented and technology sectors, supported by better-than-expected earnings and optimism around AI-driven innovation. Fixed income also played a stabilizing role, as declining rate expectations supported price appreciation across higher-quality bonds.

While some defensive and income-generating assets lagged during this risk-on period, we view their inclusion as vital for long-term risk management and capital preservation—particularly as markets remain sensitive to inflation data and policy shifts.

Our approach continues to emphasize:

- Diversification across asset classes and geographies
- A blend of growth and defensive exposures to adapt to shifting conditions
- Disciplined risk management focused on preserving wealth during volatility

Looking Ahead: Opportunities and Risks

As we enter the final quarter of 2025, markets face a delicate balance between optimism and vigilance. Key themes we are monitoring closely include:

1. **Monetary Policy Shifts** – The Fed's evolving stance on rate cuts will influence both equity and fixed-income valuations.
2. **Inflation Persistence** – While trending lower, inflation could remain sticky, particularly in services and wages.
3. **Corporate Earnings** – The sustainability of earnings growth will determine whether current equity valuations are justified.
4. **AI and Productivity** – Continued integration of AI technologies is reshaping entire industries, driving optimism but also requiring discernment to separate real growth from speculation.

Our portfolios remain diversified and strategically positioned to capture opportunity while mitigating downside risk. We continue to favor high-quality companies with strong free cash flow and durable business models, selective exposure to international markets where valuations remain compelling, and short-duration fixed income to preserve flexibility as rate dynamics evolve.

Staying Grounded in Long-Term Fundamentals

We believe the most important question for investors remains unchanged:

How will today's developments influence corporate profitability and free cash flow over time?

These are the enduring drivers of long-term returns. While headlines and short-term volatility may command attention, the fundamentals of businesses—and the discipline of staying invested—ultimately determine financial success.

Thank You for Your Trust

We remain deeply grateful for the confidence you place in 49 Financial. As always, we are here to guide you through changing markets with a steady hand, a disciplined process, and a focus on your long-term goals.

Please reach out to your financial advisor with any questions about your portfolio or the current market environment.

Warm regards,

Austin Graff, CFA

Chief Investment Officer
49 Financial

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