

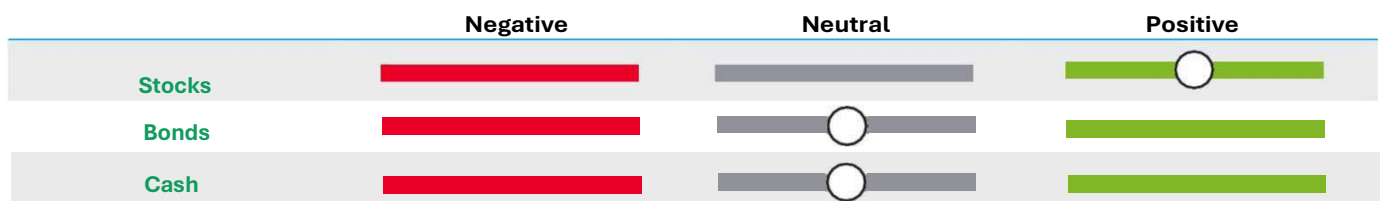
Fourth Quarter 2025

As we enter the fourth quarter and review 2025 to date, we suggest that investors have responded to the altered trade and economic landscape favorably despite significant policy changes. Investors did not succumb to the exaggerated possibilities for any appreciable length of time. The negative economic scenarios that some pundits put forth never materialized. Instead, investors examined data, “looked through” the noise, and realized robust performance by being patient and not overreacting. In our opinion, the Federal Reserve has applied the same methodology to its analysis of monetary policy. Historically, the Fed has sometimes been accused of being late on its actions. This has been a consistent and possibly a partially correct accusation. However, the nature of the Fed’s work and analysis is data-dependent, which means the data represents activity that has already occurred. While the Fed utilizes some proprietary, non-public economic data, models, and tools, they also must rely on reports simultaneously available to the public. In most cases they do not obtain information significantly before the public does. With inflation closer to 3% than 2%, we think the Fed has been on the right path. Now that employment figures are softening, the time is right for further interest rate cuts which we expect this year into next.

INVESTMENT TAKEAWAYS

- Equity investors have been in full U.S. buying mode since the Trump administration modified its tariff timetables in early April. That is nearly six full months of active investor commitment with limited pullbacks and increasing volume (shares traded). Average NYSE Composite share volume is nearly 50% larger in 2025 than in 2024 for the five months ending in September. This type of underlying demand for stocks is unusual and typically reserved for a bullish turnaround after a prolonged correction. The fact that this surge in interest has developed on the heels of two years of very strong equity performance suggests investors have found reason to embrace new policies and are optimistic about future growth.
- President Trump inherited a solid economy. GDP growth for the second half of 2024 was over 2.6%. Inflation was still hovering around 3% but declining. Total average monthly job gains were just under 250K per month and nearly 8 million jobs were available. GDP growth for the first quarter was negative, second-quarter growth is over 3.5% according to the latest revision. After inflation fell to the mid-2% range, it is again closer to 3% and increasing. Job growth is barely 25K per month, and the number of jobs available has decreased by nearly 1 million. This evidence suggests a weakening economy. The Fed has finally seen enough data to warrant easing monetary conditions.
- After a pause, the Fed cut the federal funds rate in September by 25 basis points. Two more cuts are expected by year’s end. Current data suggest two additional rate cuts could occur in the first half of 2026. The Fed has shifted its emphasis from fighting inflation to stabilizing the labor market, despite inflation remaining above the preferred 2% figure. The recent inflation increase is thought to be temporary, and once tariffs and trade policy are more normalized, inflation should trend downward again.
- The tariff controversy during much of the first and second quarters created corporate uncertainty. Estimated earnings and revenue figures were lowered quite dramatically. With tariffs being delayed and more tactically implemented, corporate America was better able to forecast their future path. Actual figures for the second quarter were much higher than anticipated and top-line earnings set records. Third and fourth quarter earnings will likely continue to set records. As we move into 2026, current forecasts are even better. With records likely to be achieved and lower interest rates ahead, we see further equity gains over the intermediate term.
- We expect short-term rates will decline in Q4 following the Fed’s actions. The yield curve favors a well-balanced, moderate-duration position. We prefer high-quality, intermediate maturities with some exposure to the high-yield segment.
- We remain committed to maintaining risk-managed portfolios. United Wealth and Investment Management supports both value and growth companies, allocating equally to each style. Most equity assets remain tactically tilted toward U.S. large-cap companies based on current market expectations. Mid- and small-cap companies should perform well with lower rates.

BROAD ASSET CLASS VIEWS



EQUITY ASSET CLASSES

The U.S. Markets Storm Back

Tariff concerns were short-lived with their delayed implementation. Even as the U.S. has generated close to \$200 billion in tariff revenues, the courts are currently determining their legality. The point of these actions is likely not tariffs per se, but rather about changing trade policies and restrictive barriers to entry for U.S. products sold overseas. Though manufacturing is limited in the U.S. due to cheaper labor elsewhere, trade deficits remain an important focus for the Trump administration. As the tariff concerns subsided and trade deficit issues appeared somewhat of a red herring, investors generally embraced how corporate America was managing the governmental directives. Second-quarter earnings defied many expectations and were the highest ever reported. Third-quarter earnings will likely set records as well and the full year will be the highest ever. Mid and small cap stocks have participated nicely in the recovery, and we expect them to continue to do well into 2026.

		View	Relative Trend	Rationale
Market Capitalization	Large-Caps			Many large-cap benchmarks reached all-time highs in January and February. Investor sentiment quickly shifted as the new administration announced controversial tariff policies perceived as counterproductive in the near term. As those policies were delayed or diminished, investors once again embraced stocks, and their enthusiasm remains in place. Growth companies, particularly mega-cap IT, AI and communications firms have attracted most of the new money flows. Valuations remain stretched, but with rate cuts in place and more to follow, along with record earnings ahead, we see additional gains continuing well into 2026.
	Mid-Caps			Mid-cap stocks are just starting their upward trajectory. While large-cap stocks held their own during an anxious and uncertain spring, investors were reluctant to embrace companies less financially capable. Starting in the second quarter, however, we have seen a mid-cap resurgence. Much like the large-cap segment, growth continues to be favored. We expect further gains into 2026.
	Small-Caps			The “America First” agenda espoused by the Trump administration should serve as a tailwind for small-cap stocks. To date, small caps have yet to experience this advantage, as tariff policies have intervened and disrupted normal supply chains and economic activity. We believe it is only a matter of time before this segment experiences significant gains. Lower interest rates should also play an important role in boosting profitability.
Style	Growth			The AI trade and growth stocks in general remain the primary beneficiaries of new investor funding. We expect this trend to continue if current economic conditions remain in place. Investors expect AI to revolutionize industry, with both manufacturing and services positively impacted. We have no contrary argument. Although valuations are rich, lower rates ahead should allow for higher-than-normal multiples.
	Value			United maintains a slight value bias to protect portfolios from both known and unknown risks. The companies held in our value-based Large Cap Dividend Strategy are recognized for their perennial healthy balance sheets, higher-than-average dividend yields, and favorable attitude toward investors. Value stocks have staged an impressive rally and protected capital during the 2025 correction. We anticipate further gains in 2025 and into 2026.
Region	United States			It is our continued position that better relative long-term performance will be generated from the U.S. stock market than from most foreign markets. However, the administration has radically altered conventional policies, and investors, no matter where domiciled, are hesitant to adopt these changes. Valuations in the U.S. are reasonable at best; with some deeming stocks to be overvalued. Future earnings look very solid, and with rates heading lower, we anticipate further gains.
	Developed International			International stocks have badly trailed those of the U.S. for well over a decade. Though nine months, or even a year, do not indicate a change of trend, clearly investors have put considerable faith in investments outside of the U.S. The Trump administration has simply created doubt when little existed before. Investors have less faith in the U.S., even though EAFE (International Equity) has generated over 1,000 basis points of excess performance over the U.S. so far this year. Valuations still favor international stocks. We see continued gains in foreign securities.
	Emerging Markets			The current U.S. administration has taken a different approach to foreign relations than did its predecessor. The Trump administration appears to reduce many policy decisions to a financial equation. With little focus on human rights suppression, China, the second-largest global economy, may have little to fear from Western sanctions. Our tactical EM position without China has been rescinded. United has now reinstated the full EM allocation, including China, into our portfolios.

FIXED INCOME

As the Fed Resumes Rate Cuts, Fixed Income Returns Improve

Third quarter fixed income returns have been strong. The Federal Reserve’s long-awaited return to monetary easing resulted in a 25 basis-point reduction in the Fed Funds Rate during their September FOMC meeting. For months, investors were buying the short to intermediate part of the curve knowing that rates in those segments would likely be falling. The two-year Treasury yield fell approximately 60 basis points from the beginning of the year, while the ten-year fell approximately 40 basis points. Although rates have fallen, inflation as measured by both the CPI and the PCE indexes is higher by approximately half a percentage point.

There are two main reasons rates are lower in a higher inflation backdrop. First, most of the inflation increase is associated with the tariff implementation. Tariffs are now thought to be transitory rather than permanent. Investors’ skepticism of tariff policies drove rates higher as perceived risks increased. It is now clear that the threat of tariffs is being used more as a negotiating tactic to force foreign governments to negotiate trade agreements that are more beneficial to the United States. Second, employment reports over the past several months indicate fewer jobs are available and are being filled. This may indicate a slowing economy.

United maintains a neutral duration for managed bond portfolios. We think the new and revised tariff policies are unlikely to materially add to actual downstream inflation beyond what has already occurred. We continue to recommend a blend of high-quality intermediate-term bonds with appropriate exposure to shorter maturities. Quality corporate and municipal bonds remain strong across credit tiers and issuer sizes. High-yield bonds from stable, growing companies offer attractive opportunities and support our modest high-yield allocation in both corporate and municipal markets. For tax-sensitive accounts, we favor municipal bonds. States should not be dramatically disadvantaged by absorbing federal government reductions in services.

		Low	Medium	High	Rationale
Position	Credit				To protect asset values, United prefers fixed-income portfolios dominated by high-quality bonds. Credit spreads have returned to a normalized state.
	Duration				United believes short-term rates will continue to decline and will mirror actions taken by the Fed. Longer-term rates will remain close to present levels.

COMMODITIES

Sluggish Global Economic Growth and Altered U.S. Policies

Global oil prices have lagged for much of this year. West Texas Intermediate (WTI) is down about 10% year-to-date, weighed down by oversupply, easing concerns about access to the global energy supply, and softer demand. Precious metals have surged amid elevated global risks and instability. Gold is up over 40% through end of summer, as investors purchased safe-haven assets, likely because of geopolitical tensions, central bank buying, and a weaker dollar. Equities and metals typically move in opposite directions, but this year has been different. The price of gold price has increased as President Trump has significantly changed the international economic landscape. Precious metal prices have risen due to change and uncertainty. While often viewed as a defensive asset, gold carries little intrinsic value. Broad commodity benchmarks are up 8% through August, as investors contend with mixed signals and unconventional correlations.

CONCLUSION

As investors know, there are always two sides to a transaction. Investing requires a willing buyer and a willing seller to complete the transaction. Both investors have their rationale for making decisions, and they determine their value in the agreed-upon price. This price discovery is critical to markets, as it helps other investors review and determine their next steps. Investors sometimes use long-term trends to determine appropriate values for assets and to identify assets that are both over- and undervalued. Occasionally, disruptions to the trend may occur, such as geopolitical world events triggering unexpected changes to asset classes. Financial market and investor reactions to major changes can be swift and severe, but we know change is always constant.

Investors should not expect investing conditions to be constant; rather, they should embrace change and use it not only to manage risks but also to participate in new opportunities. Although political change appears heightened currently, the President wants to see the U.S. economy grow like never before. Investors are faced with higher-than-average equity valuations during an evolving lower-interest-rate environment. This environment, combined with significantly higher corporate earnings, is a catalyst for strong growth ahead.

Important Disclosures

The opinions expressed in this material are only informational and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your advisor prior to investing.

All performance referenced is historical and there is no guarantee of future results. All indexes are unmanaged and cannot be invested directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

Economic forecasts set forth may not develop as predicted.

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