

Market Review

as at September 30, 2025

Markets have remained notably resilient in 2025, extending the bull run despite persistent economic and geopolitical uncertainty. Positive investor sentiment has been supported by strong corporate earnings, easing global trade tensions, and more accommodative central bank policies.

Equity markets continue to perform well, though a more moderate pace of growth is expected heading into year-end. Fixed income yields have begun to decline as the US Federal Reserve joins the global rate-cutting trend. While this benefits existing bondholders, future returns may be more limited. However, long-duration bonds continue to appeal to investors seeking lower-risk income in an uncertain environment.

Asset Returns

The third quarter delivered strong equity returns globally, supported by easing tariff uncertainties. Most major developed market trading partners of the United States reached trade agreements, many of which are considered favourable to the US due to improved market access or increased direct investment in its domestic economy. Additionally, the US Federal Reserve joined the global trend of interest rate cuts in September – a move that has been supportive of equity markets and beneficial for existing fixed income holdings, though it may reduce returns on future fixed income issuances.

In North America, equities were a major contributor to year-to-date performance, largely driven by a resurgence in the technology sector. The Nasdaq recorded a return of 11.4% in Q3 (18.0% YTD), with much of the growth driven by optimism surrounding future investment plans. The Russell 2000 Index, representing small-cap equities, rebounded significantly from earlier struggles related to tariffs, returning 12.4% for the quarter. Meanwhile, the S&P 500, representing large-cap equities, extended its second-quarter rally with an 8.1% gain in Q3.

International equities underperformed their North American counterparts during the quarter but continue to outperform on a year-to-date basis. The MSCI EAFE Index (representing Europe, Australasia, and the Far East) posted a YTD return of 25.8%, including a solid 4.9% gain in Q3.

The US has initiated a rate-cutting cycle, with additional reductions anticipated throughout the remainder of this year. Short- and medium-term interest rates have responded accordingly; however,

long-term rates (10–30 years) have shown limited movement. This muted response is largely attributed to elevated government debt levels, which have increased long-term inflation expectations.

Commodity markets continued to lag behind equities amid ongoing concerns around global growth and the potential for renewed tariff disruptions. The broad commodity index returned 2.6% in Q3. In contrast, gold remained a standout performer with a YTD return of 44.8%, supported by its role as a hedge against uncertainty and inflation.

Labour Market Weakness

The US labour market showed signs of softening. ADP employment data for August was revised from a gain of 54,000 jobs to a decline of 3,000. September followed with a further reduction of 43,000 jobs. Declining employment figures are often an early signal of recession, as reduced incomes may lower consumer spending and increase financial stress.

The ADP National Employment Report, which tracks private sector payrolls, has historically correlated closely with government-reported employment data (which includes both public and private sectors).

Weaker employment figures provide further scope for the US Federal Reserve to continue its rate-cutting cycle. Earlier in the year, the Fed was hesitant to ease policy due to robust labour market data, despite elevated inflation. However, with mounting signs of labour market weakness, the Fed is now in a position to act more decisively.

Market Review (continued)

Technology Sector: Valuations and Investment Flow

Technology stocks have experienced significant gains, with certain AI-related equity indices rising approximately 32% in 2024 and approximately 17% year-to-date. This surge in market capitalisation has led to speculation about a potential bubble, reminiscent of the dotcom era. However, a key distinction lies in the underlying earnings strength of today's leading firms. The five largest tech companies – Nvidia, Microsoft, Apple, Google, and Amazon – currently trade at an average price-to-earnings ratio of 28x, compared to the five largest in 2021 which traded at 40x, and during the dotcom bubble at 50x.

One concern regarding current tech valuations is the circular nature of investment flows: a significant portion of profits from software and AI firms is being reinvested into companies like Nvidia and Broadcom to acquire additional processing power. Meanwhile, energy infrastructure companies are benefiting from rising demand, with some data center clients committing to fixed minimum power usage contracts.

The key uncertainty lies in the sustainability of these high levels of capital expenditure. If the primary investors in data centers and AI

infrastructure fail to generate corresponding income, a slowdown in investment could follow, potentially disrupting current growth trajectories.

US Government Shutdown

The fourth quarter began with a US government shutdown, as the federal budget remains stalled in the Senate despite having passed the House of Representatives. As a result, funding has been suspended for non-essential government functions, leading to furloughs for affected staff.

Shutdowns typically delay or halt government-funded infrastructure projects, which can lead to job losses in adjacent sectors such as construction and related services. This adds pressure to an already weakening labour market.

Policymakers face a difficult balance: controlling government spending to address rising national debt and long-term inflation risks, while avoiding prolonged budget delays that may contribute to higher unemployment and reduced household income.

Outlook and Portfolio Positioning

The end of the third quarter marks the strongest quarter-end of 2025 so far despite ongoing concerns about a US government shutdown. Most major tariff issues affecting developed economies have now been addressed through negotiated agreements, reducing uncertainty for those markets. However, many emerging economies remain excluded from these discussions, leading to continued volatility and heightened sensitivity to external risks.

In light of these developments, we have made tactical adjustments – reducing exposure to emerging markets and increasing allocations to developed global equities, where risk is lower and trade relations with the US are more stable. We have also shifted part of our core fixed income exposure from active to passive strategies, aiming to enhance cost efficiency and align more closely with prevailing market conditions.

Important Disclosures and Disclaimers

The opinions expressed herein are those of Allshores Wealth Management Company (Bermuda) Limited ("Allshores") as of the date of this report and subject to change without notice. This report is for informational purposes only and does not constitute legal, tax, accounting, or investment advice. Recipients should consult their own professional advisors regarding the suitability of any investment decisions discussed herein.

External data has been obtained from sources believed to be reliable, but accuracy, completeness, or timeliness is not guaranteed. Allshores disclaims all liability for any errors or omissions. Past performance is not indicative of future results. Investment products are not FDIC insured, are not bank guaranteed, and may lose value.

Forward-looking statements involve risks and uncertainties, and actual outcomes may differ materially. This report is confidential and intended solely for the recipient. Unauthorized reproduction or distribution is strictly prohibited.

Macro Indices Report as at September 30, 2025 (percent)

	SEP	AUG	JUL	Q3 2025	YTD	2024	Annualized	
							3 Years	5 Years
GLOBAL EQUITY								
MSCI AC World Total Return	3.6	2.5	1.4	7.6	18.4	17.5	23.1	13.5
MSCI EAFE	2.0	4.3	-1.4	4.9	25.8	4.4	22.4	11.9
NORTH AMERICA EQUITY								
S&P 500 Total Return	3.6	2.0	2.2	8.1	14.8	25.0	24.9	16.5
DOW JONES INDUSTRIAL AVG	2.0	3.4	0.2	5.7	10.5	15.0	19.6	13.0
S&P 400 Net TR	0.4	3.4	1.6	5.4	5.4	13.4	15.3	13.1
NASDAQ COMPOSITE	5.7	1.7	3.7	11.4	18.0	29.6	29.9	16.1
RUSSELL 2000 INDEX	3.1	7.1	1.7	12.4	10.4	11.5	15.2	11.5
S&P/TSX COMPOSITE INDEX	5.4	5.0	1.7	12.5	24.0	21.7	21.3	16.7
EUROPE EQUITY								
BLOOMBERG EUROPEAN 500	1.7	1.1	1.0	3.8	13.0	9.5	16.5	13.0
FTSE 100 INDEX	1.8	1.2	4.3	7.5	17.7	9.6	14.7	13.8
CAC 40 INDEX	2.7	-0.9	1.5	3.3	10.3	0.9	14.6	13.7
DAX INDEX	-0.1	-0.7	0.7	-0.1	19.9	18.8	25.4	13.3
ASIA EQUITY								
MSCI AC Far East Ex Japan	8.0	1.9	4.2	14.7	32.1	9.6	18.0	3.3
NIKKEI 225	5.8	4.1	1.4	11.7	14.6	21.3	22.4	16.3
HANG SENG INDEX	7.6	1.3	3.1	12.5	38.2	22.9	20.5	6.4
S&P/ASX 200 INDEX	-0.6	3.3	2.4	5.1	12.4	12.7	16.5	14.4
SHANGHAI SE COMPOSITE	0.8	8.1	4.5	13.9	18.5	16.2	11.7	6.5
SOUTH AMERICA & EM EQUITY								
MSCI EM Net Total Return USD Index	7.2	1.3	1.9	10.6	27.5	7.5	18.2	7.0
S&P LATIN AMERICA 40	6.7	8.8	-4.7	10.6	42.3	-22.0	16.0	15.3
BRAZIL IBOVESPA INDEX	3.4	6.3	-4.2	5.3	21.6	-10.4	9.9	9.1
S&P BSE SENSEX INDEX	0.6	-1.5	-2.7	-3.7	3.9	9.6	13.3	17.6
FIXED INCOME								
ICE BoA 1-3 Year US Treasury Index	0.3	0.9	-0.1	1.1	3.9	4.1	4.3	1.6
BLOOMBERG US Agg	1.1	1.2	-0.3	2.0	6.1	1.3	4.9	-0.4
BLOOMBERG Multiverse (Unhedged)	0.7	1.5	-1.4	0.7	8.0	-1.3	5.8	-1.3
Citi World BIG US Hedged	0.8	0.6	-0.1	1.3	4.2	2.6	4.8	-0.3
ICE BoA US High Yield Index	0.8	1.2	0.4	2.4	7.1	8.2	11.0	5.5
JPM EMBI Global Core – US\$	1.7	1.6	1.2	4.6	10.4	6.2	12.1	2.0
JPM EM Global Cove – Local	1.4	2.1	-0.8	2.7	15.0	-2.4	10.3	2.2
COMMODITIES								
BLOOMBERG Commodity Index	1.8	1.6	-0.8	2.6	5.9	0.1	-2.1	8.1
GOLD	10.5	5.4	-0.1	16.4	44.8	26.6	31.3	14.4
OIL (WTI)	-1.7	-6.1	8.9	0.5	-1.8	14.4	4.1	21.5

Argus Wealth Management Limited

The Argus Building
14 Wesley Street
Hamilton HM11, Bermuda

Tel: +1 (441) 295 9000
awmcs@argus.bm
arguswealth.bm

