COLLECTIVE WEALTH
PARTNERS

October 2025 Investor Letter

“And don’t it feel good.”

The third quarter was a good one for U.S. stocks. The S&P 500 index rose by nearly 8% during the period, and surged 13.7% during the nine months ended September 30, 2025. The Nasdaq, the main tech stock gauge, mirrored the S&P 500’s strength, gaining 11% during the third quarter and 18% for the nine months ended September 30, 2025.

Those gains reflected investors’ continuing optimism about the potential benefits of AI, a lack of significant economic drag (yet) from Trump’s tariffs, and robust corporate earnings. International equities also showed strength, turning in even better performance than their U.S. counterparts. The MSCI ACWI ex USA index of global stocks rose by close to 7% during the quarter, and gained 26% for the first nine months of 2025, supported in part by investors rethinking their U.S. market allocations on tariff-driven uncertainty and concerns over Trump’s attempts to force the Fed to lower interest rates.

With the global economy looking largely solid, bonds also performed well. The Bloomberg US Aggregate Bond Index rose by 2.0% during the third quarter and 6.5% for the nine months ended September 30, 2025. The Global Aggregate Index meanwhile, was up only marginally, .5%, for the quarter, but gained nearly 8% for the year-to-date period ended September 30th.

	Stocks				Bonds	
	US	Developed ex US	Emerging Markets	Global REITs	US	Global ex US
3rd Quarter	8.18%	5.60%	9.88%	4.22%	2.03%	0.49%
Year to Date	14.40%	25.94%	25.95%	8.55%	6.13%	2.26%
1 Year	17.41%	16.51%	16.01%	-1.24%	2.88%	3.02%

Six of one, a half dozen of the other

The Fed lowered interest rates by a quarter point at its September meeting, marking its first cut since December. It cited areas of potential concern, "growth of economic activity moderated in the first half of the year" and "job gains have slowed" as drivers for the move. At the same time the Fed reaffirmed its commitment to bringing inflation back down to its 2% target. Whether it can do that while balancing the fact that "downside risks to employment have risen" is an open question. Given these competing objectives, investors remain attuned for a change in messaging and/or more rate cuts at the Fed's October and December meetings.

Even as financial markets have been **walking on sunshine**, the bigger picture is not necessarily as rosy. Congress' failure to agree on a budget to fund the U.S. government's continuing operations resulted in a shutdown as of Oct 1st. The standoff pits Democrats and the Republican-controlled administration against each other. Democrats are demanding a restoration of the **cuts to Medicaid** and reinstatement of the Obamacare premium subsidies Republicans eliminated as part of this year's tax legislation, in exchange for voting for a government funding bill. Adding fuel to the fire, the Trump administration is vowing to use the closure to further **cut the already reduced (thanks to DOGE) federal workforce** unless Democrats give up their demands. Without a clear resolution uncertainty reigns.

We expect event risk to stay high while the federal government remains shut down, and to rise the longer it takes to reopen. Economic data has been the first casualty of the shutdown. The September jobs report went unpublished, and the upcoming consumer price report is subject to delay. Consumers, already in the crosswinds of persistently elevated inflation, face even more budget shocks ahead as indications that companies will stop absorbing tariff-driven cost increase, “with many announcing plans to pass them along to customers via future price increases.”

Bottom Line

Even as stocks stay resilient, gold **prices have surged** and the U.S. dollar has **fallen**, both signs that investors are aware of growing risks and looking to assets perceived to be good stores of value. With all the uncertainty, this is a good time to revisit both your overall portfolio allocations to ensure 1) the individual positions reflect your overall risk tolerance and long-term objectives and 2) understand how your portfolio could perform under different scenarios.

Please contact us with any questions or to discuss your portfolio.

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Market segment (index representation) as follows:
US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.

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