

INVESTMENT FOCUS

September 2025

**INVESTMENT POLICY REVIEW
AND STRATEGY ALIGNMENT**

WEALTH MANAGEMENT

The Woodlands

INVESTMENT MANAGEMENT

Houston

FINANCIAL PLANNING

Austin

Seven Noteworthy Items

Developments of the last month.

01

Equities continue to stretch new highs
YTD DJIA 8.60%, NASDAQ 15.25%

S&P 500 YTD
10.73%

02

Oil prices back down as supply continues to rise
OPEC+ raises targets for 6th straight month; +137K bpd

WTIC @ Close
\$62.73

03

Bonds yields sliding across the curve; Aug. 10yr avg. 4.26
30-year mortgage continuing to fall; Currently @ 6.29%

10-Yr Trsy
4.09%

04

PPI showed dis-inflation...Helping the case for a Sept. cut
Core CPI for July @ 3.02%; Tariff impact not showing yet

July CPI
2.70%

05

FOMC meets September 17th; Rate cut coming
Futures at 91% for a Sept. cut... 71.5% for 3 cuts by year end

Fed Funds
4.33%

06

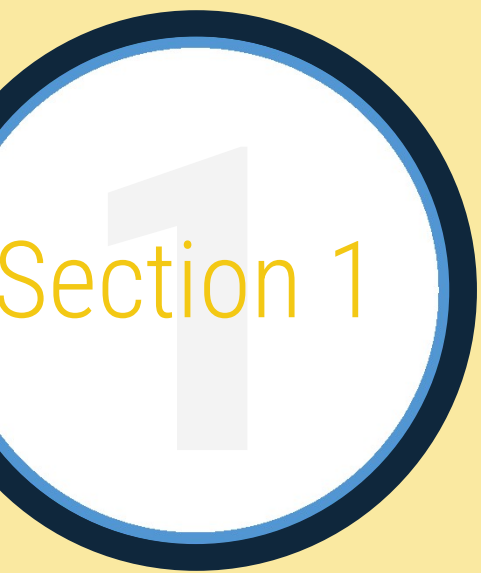
First revision bumped ↑ GDP by 0.3%
GDPNow @ +3.0%...slowdown come and gone?

Real GDP
3.30%
2Q 2025

07

ECB expected to hold rates; France and Tariff easing cited
Will Bank of England resume cuts? Currently rates @ 4%

ECB Rate
2.15%



An Eye on Major Developments

AGENDA

1

The Fed Outlook

2

Employment is Concerning

3

Tariffs and Inflation

4

Q3 GDP Expectations

5

All About Markets

Fed Since Jackson Hole & Market Reaction

What did Powell Say?

- Fed policy is in “restrictive territory,” and risks now “may warrant adjusting our stance.”
- Framework reset; moving back to a “balanced inflation-targeting regime.”
- Tariffs pose “upward pressure on prices” but viewed as *largely temporary*.

How Did Markets React?

- Day of Speech August 22nd
 - S&P500: +1.52%
 - NASDAQ: +1.54%
 - DJIA: +1.94%
 - Russell 2000: +3.92%
 - 10-Year Treasury Yield: 4.33% ➔ 4.26%
 - 5-Year Treasury Yield: 3.86% ➔ 3.76%
 - 3-Month Treasury Yield: 4.13% ➔ 4.09%



Fed Since Jackson Hole & Market Reaction

Current Member Stance on Policy


FOMC Member	Tilt Toward September Rate Cut?	Key Rationale
Christopher Waller	Yes, immediate & additional cuts	Labor weakening, sees tariff inflation as transitory
Michelle Bowman	Yes, immediate cut	Inflation near target (tariff-adjusted), labor market risk
Jerome Powell	Likely, data-dependent, Rising Risk to Employment	Balancing risks
Alberto Musalem	Cautious/Fence-sitting; Rising Risk to Employment	Employment near max, inflation still a concern
John C. Williams	Gradual easing over time	Policy “modestly restrictive”; easing appropriate if economy follows baseline forecast
Austan Goolsbee	Non-committal; highly data-driven	Economy stable but uncertainty (tariffs, inflation) warrants waiting for more data
Raphael Bostic	Cautiously open to one cut	Awaiting data; inflation remains an issue

How the Committee Looks Now

2025 Committee Members

- [Jerome H. Powell](#), Board of Governors, Chair
- [John C. Williams](#), New York, Vice Chair
- [Michael S. Barr](#), Board of Governors
- [Michelle W. Bowman](#), Board of Governors
- [Lisa D. Cook](#), Board of Governors
- [Philip N. Jefferson](#), Board of Governors
- [Christopher J. Waller](#), Board of Governors
- [Empty: Stephen Miran](#), Board of Governors...

Confirmation
hearings now.



- [Susan M. Collins](#), Boston
- [Austan D. Goolsbee](#), Chicago
- [Alberto G. Musalem](#), St. Louis
- [Jeffrey R. Schmid](#), Kansas City

Non-Voting Members

- [Neel Kashkari](#), Minneapolis
- [Mary Daly](#), San Francisco

Where is the Fed Headed?

- **Expectations for Sept. 17th**
 - At least *one cut of 25 bps*
 - Weak labor data strengthens case for immediate easing
 - Think tanks are expecting 3 cuts by year end

- **Fed Board Seats and Appointees**
 - The vote for Miran's confirmation is Sept. 10th
 - If confirmed, will he be voting??
 - Will Lisa Cook be removed from her position?

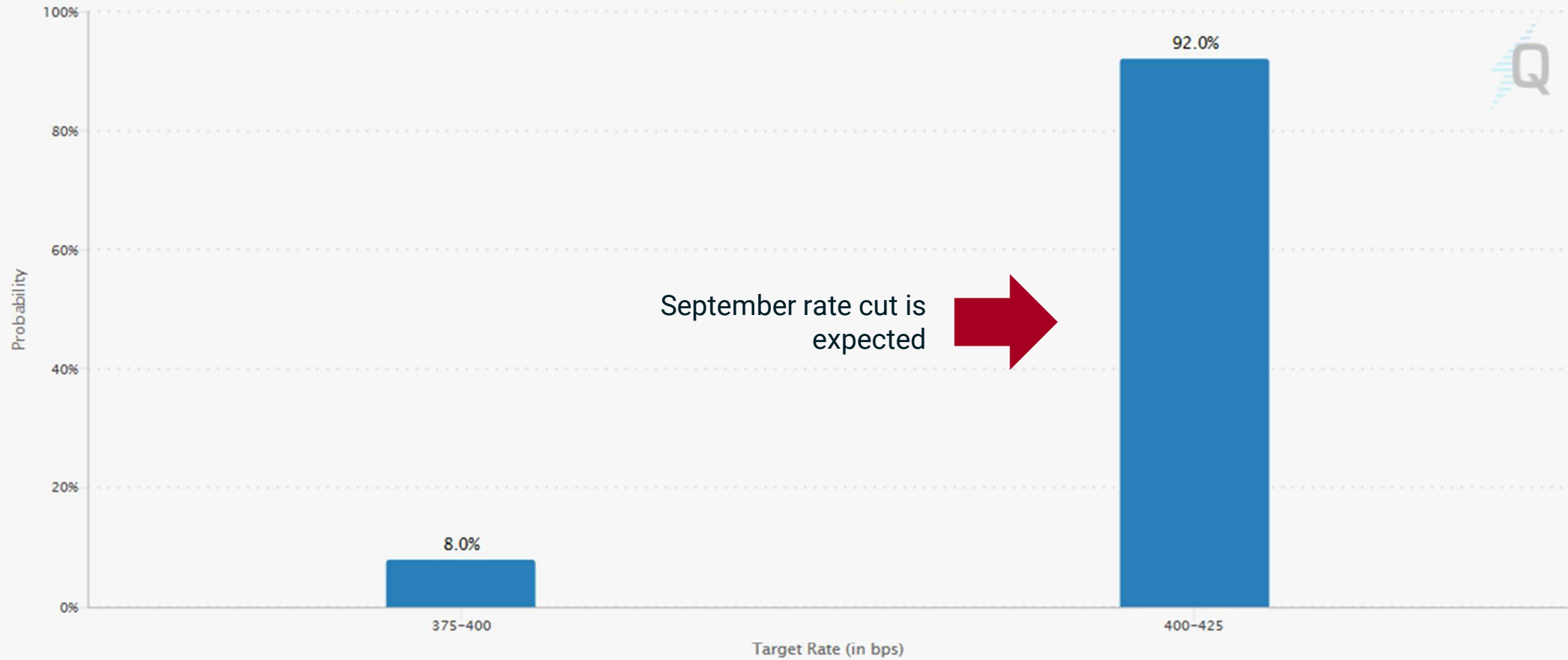
- **Bad News is Good News**
 - Continually weak labor data supports policy shift and rate cuts
 - Stocks rise and yields fall as easing becomes more likely



Market Expectations Fed Funds Rates

Target Rate Probabilities for 17 Sep 2025 Fed Meeting

Current target rate is 425-450



September rate cut is expected



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 8 SEP 2025	1 WEEK 2 SEP 2025	1 MONTH 8 AUG 2025
375-400	8.0%	10.6%	0.0%	0.0%
400-425	92.0%	89.4%	92.7%	88.9%
425-450 (Current)	0.0%	0.0%	7.3%	11.1%

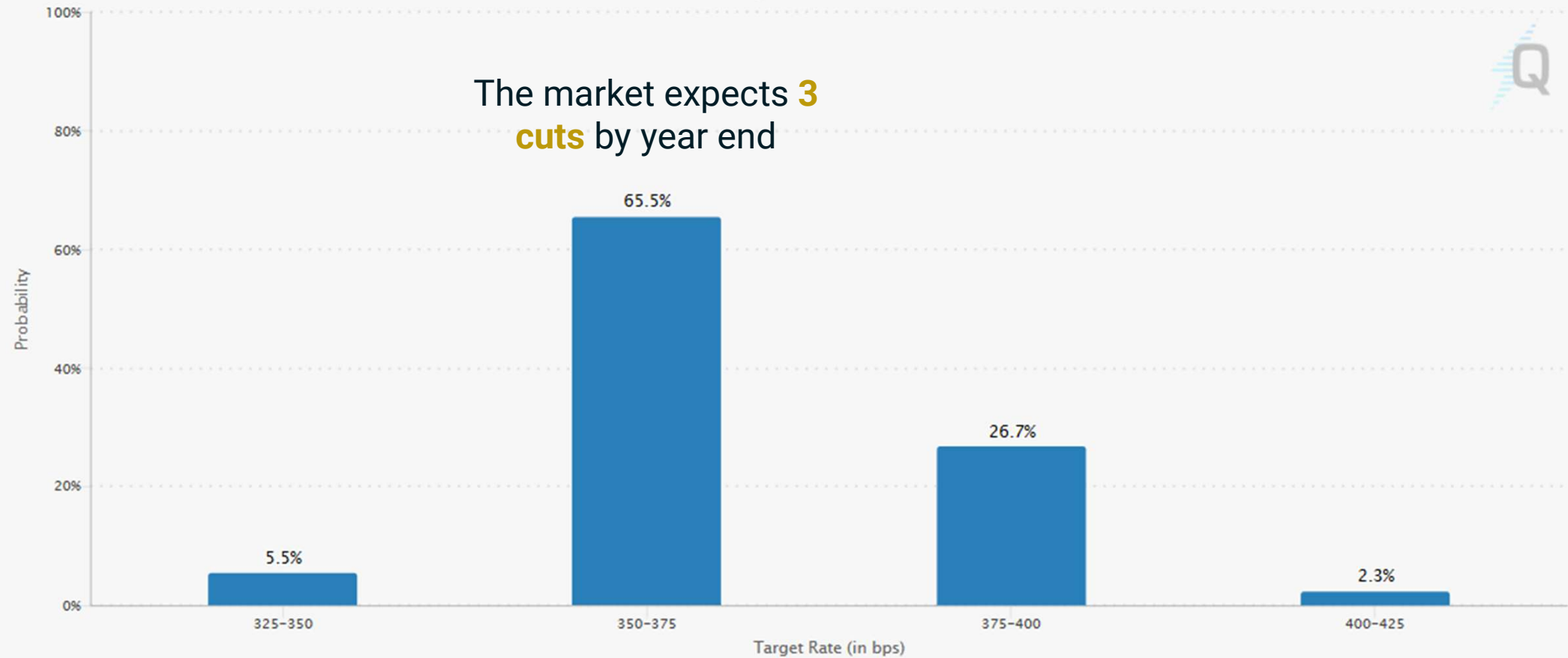
* Data as of 9 Sep 2025 09:59:26 CT

Market Expectations Fed Funds Rates

Target Rate Probabilities for 10 Dec 2025 Fed Meeting

Current target rate is 425-450

The market expects **3 cuts** by year end



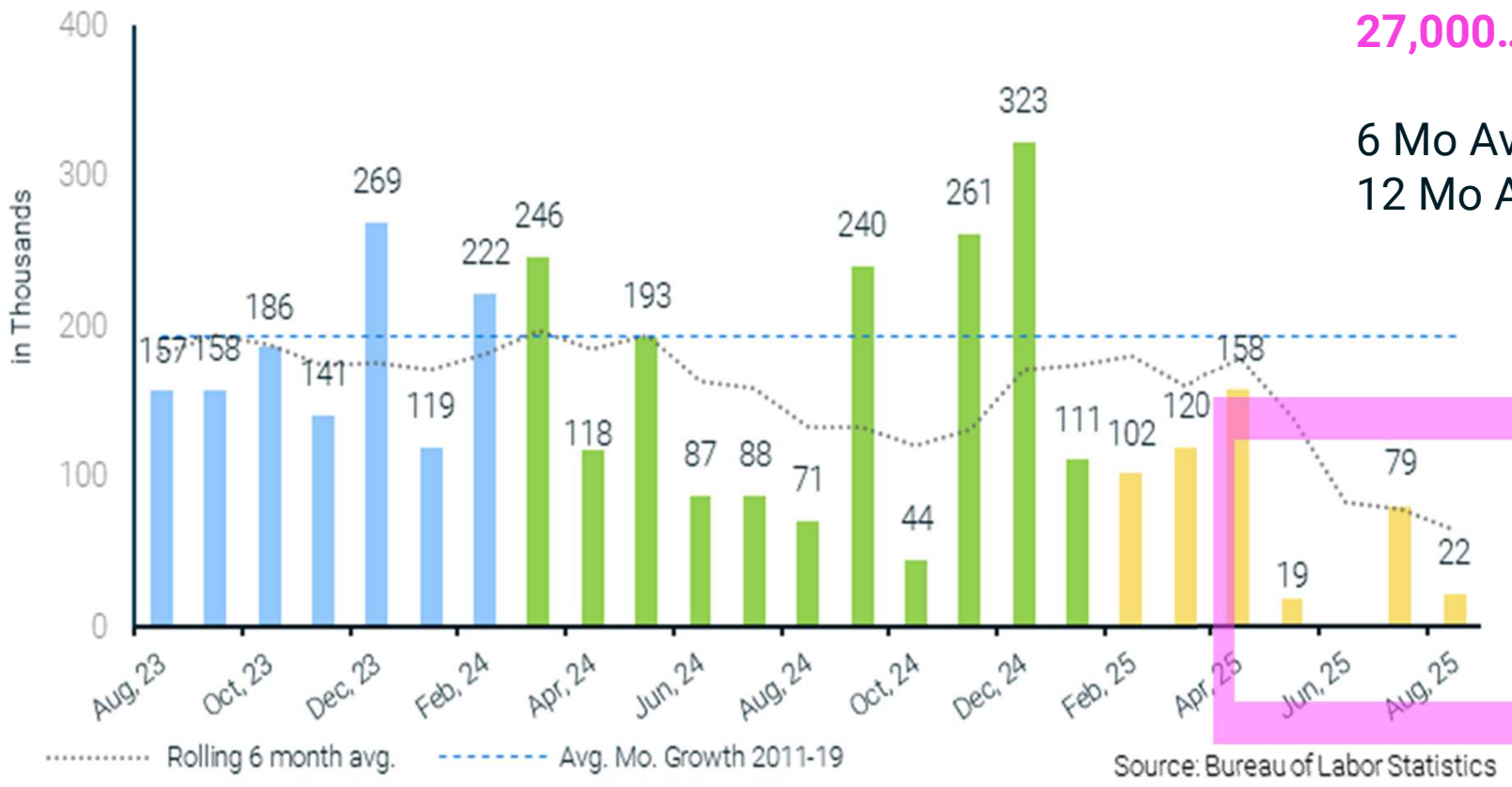
TARGET RATE (BPS)	PROBABILITY(%)				
	NOW *	1 DAY 8 SEP 2025	1 WEEK 2 SEP 2025	1 MONTH 8 AUG 2025	
325-350	5.5%	8.0%	0.0%	0.0%	
350-375	65.5%	70.1%	37.0%	46.7%	
375-400	26.7%	20.5%	48.6%	42.3%	
400-425	2.3%	1.4%	13.7%	10.3%	
425-450 (Current)	0.0%	0.0%	0.8%	0.7%	

* Data as of 9 Sep 2025 09:59:26 CT

July Jobs Report and Revisions

Total Monthly Job Growth: Nonfarm Payrolls

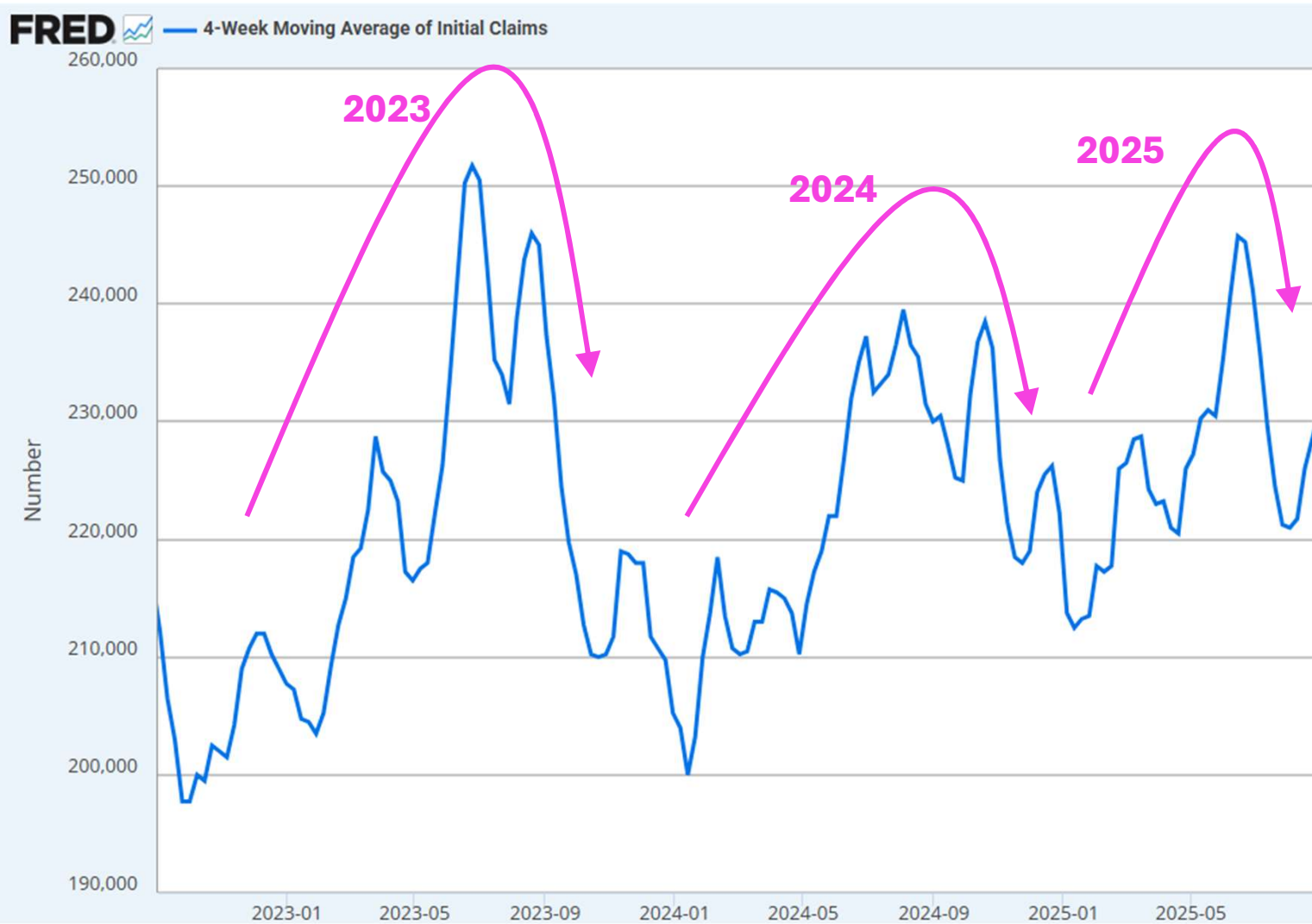
May 2023 to Present



**June Revised Down
27,000...Sits at -13k**

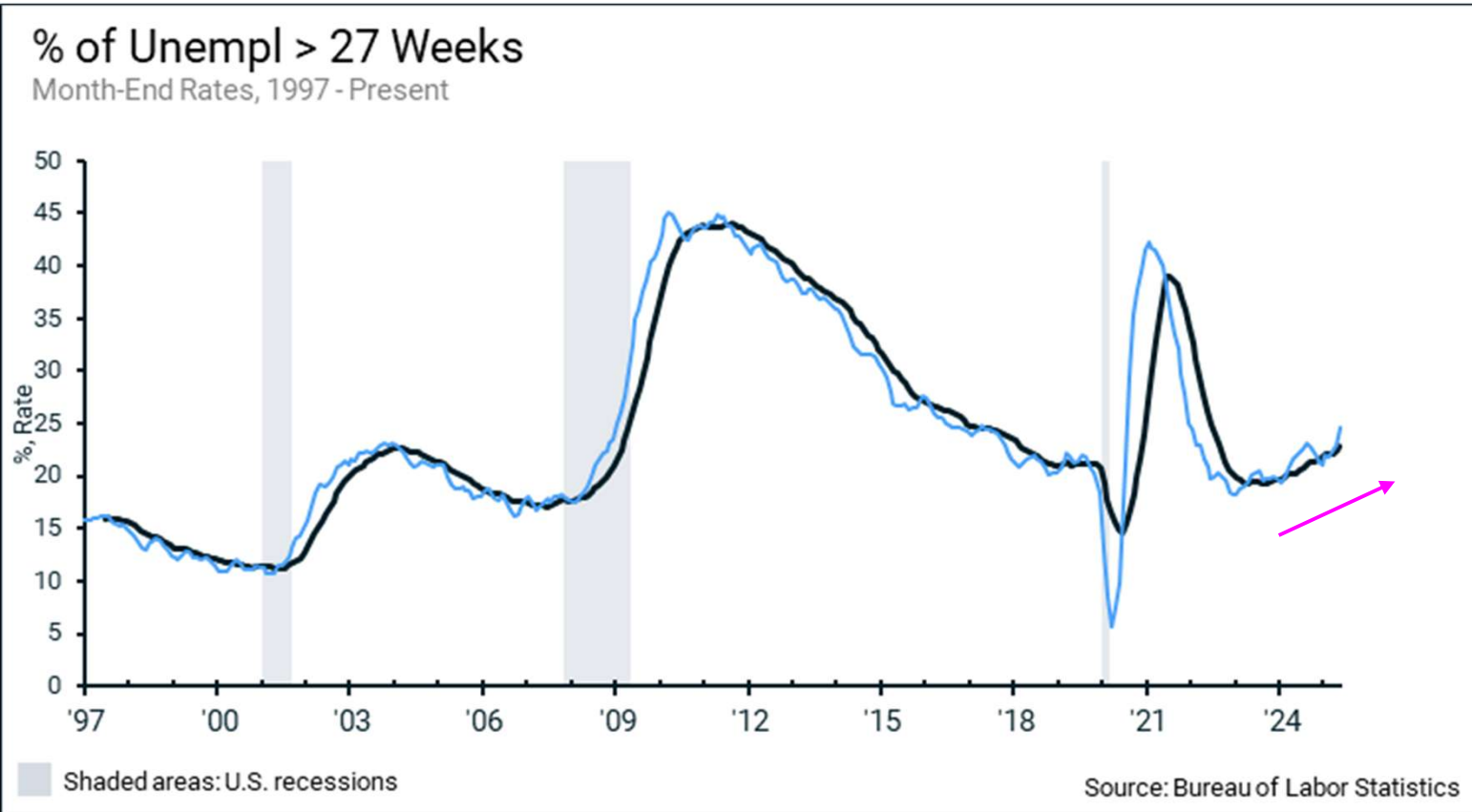
6 Mo Avg: 64k
12 Mo Avg: 122K

Employment – Initial Claims



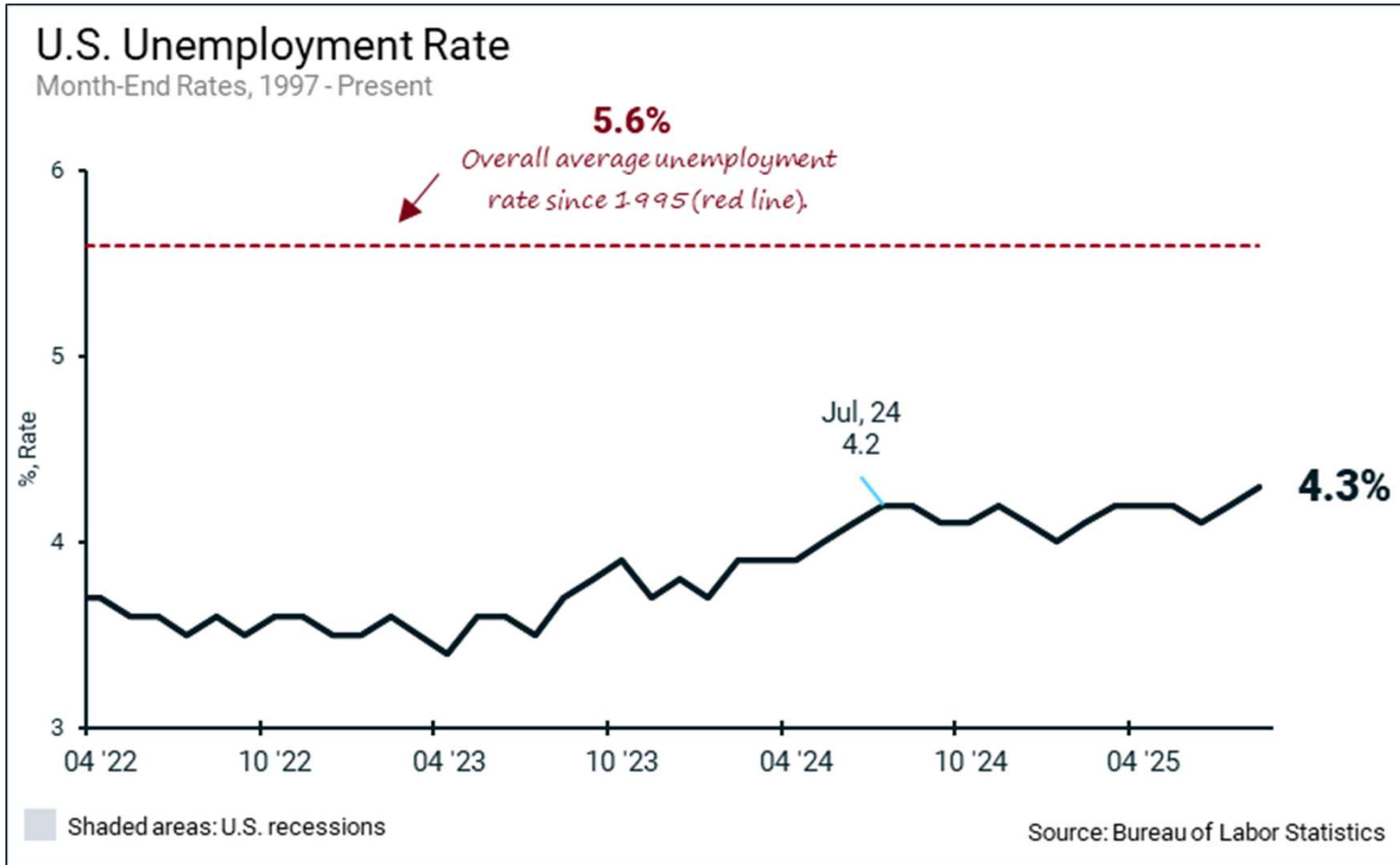
No Genuine Sign of a Layoff Cycle

Employment – Those on Unemployment >27 Weeks

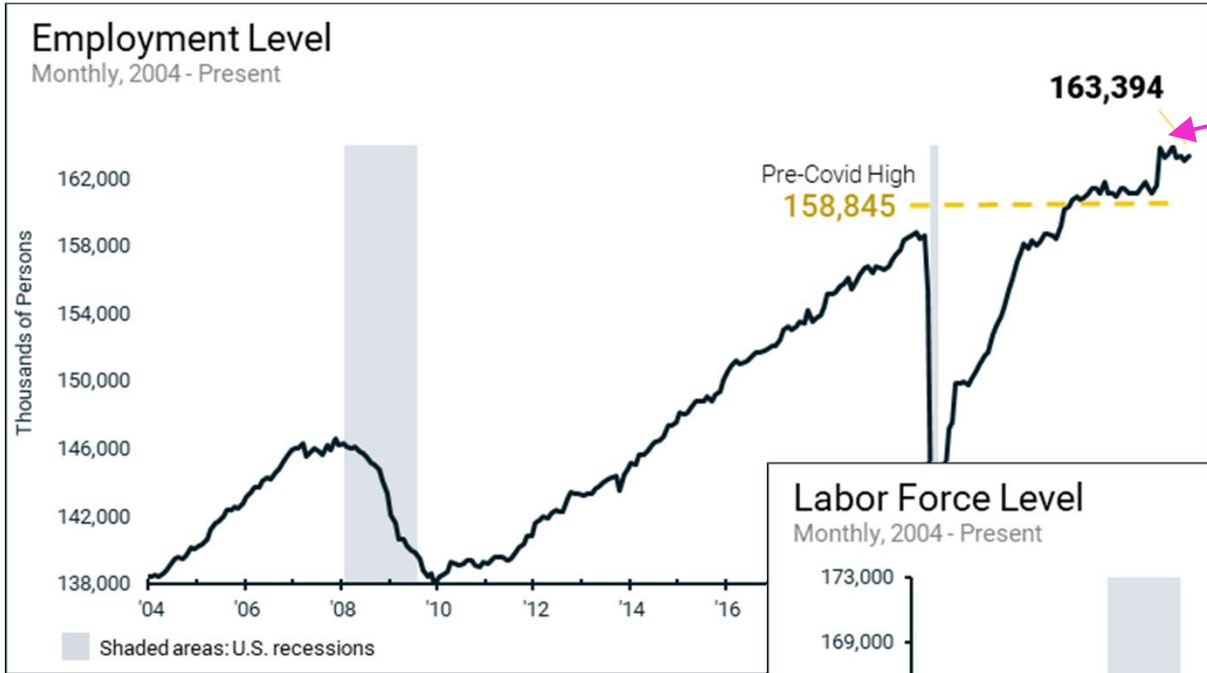


Some concern that job creation is on hold.

Unemployment Rate Bumped Up

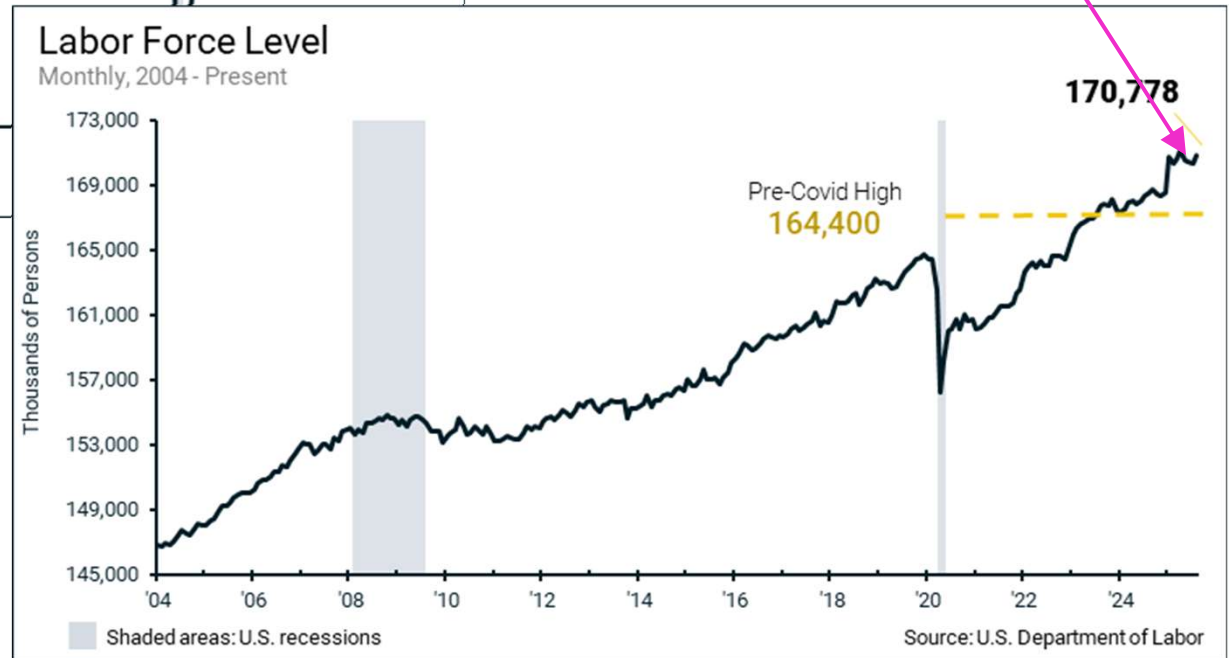


Changes to Labor Force



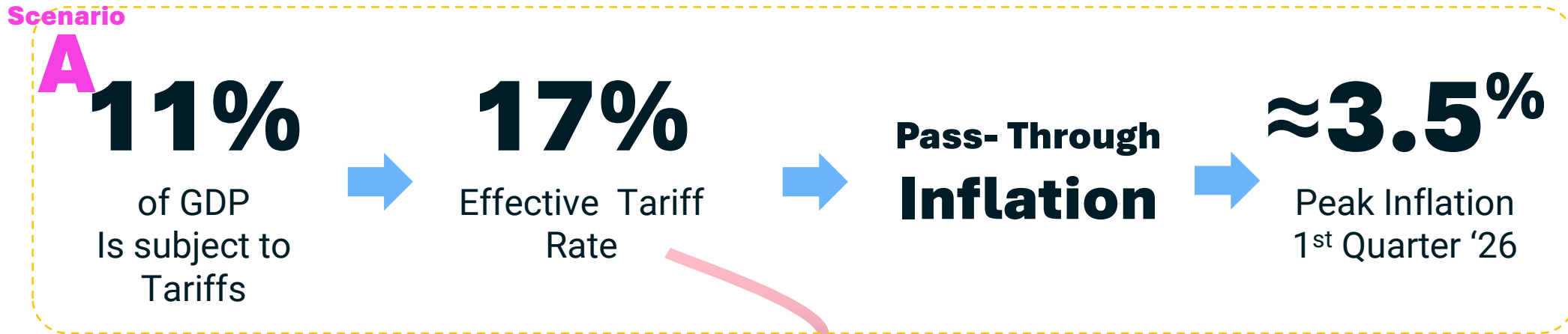
Increased by 288,000

Increased by 436,000

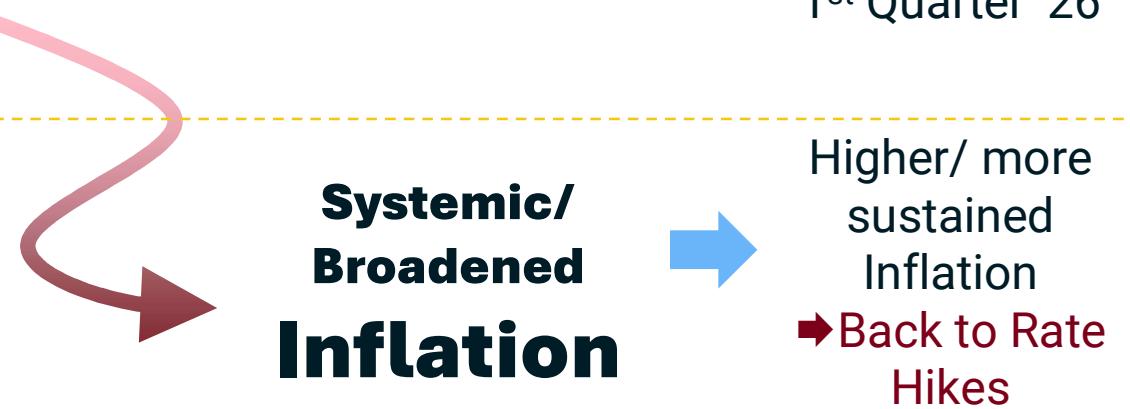


Tariffs and Inflation

Baseline Expectations vs. an Inflation Problem



Scenario B



Desired Outcome?



Slowing of Discretionary Spending as Tariff impact to Prices \$\$\$ become more evident!

Tariffs and Inflation

Reduced Spending in Tariff Sensitive Sectors

APOLLO

Consumer spending momentum: Essentials and Discretionary

%YoY (28 day sum)	Past week	90-day average	Spending relative to past 90 days
Total	2.28	2.03	Stable
Essentials			
Gasoline Stations	1.85	0.63	Rising momentum
Food and Beverage Stores	2.07	1.94	Stable
Building Material and Garden Equipment	1.56	0.87	Stable
General Merchandise Stores	4.05	3.92	Stable
Health and Personal Care	-1.57	0.31	Falling momentum
Discretionary			
Air Transportation	-3.35	-6.71	Rising momentum
Water Transportation/Cruises	10.92	7.76	Rising momentum
Accommodation	-1.34	-2.33	Rising momentum
Nonstore Retailers	4.68	3.02	Rising momentum
Food Services and Drinking Places	3.45	2.96	Rising momentum
Motor Vehicle and Parts Dealer	3.80	4.31	Stable
Clothing and Clothing Accessories	-2.63	-1.77	Falling momentum
Miscellaneous Store Retailers	2.89	4.11	Falling momentum
Electronics and Appliance Store	-1.61	0.99	Falling momentum
Furniture and Home Furnishings	-5.33	-3.45	Falling momentum
Sporting Goods and Bookstores	-3.86	-0.70	Falling momentum

Tariffs and Inflation

Reduced Spending in Tariff Sensitive Sectors

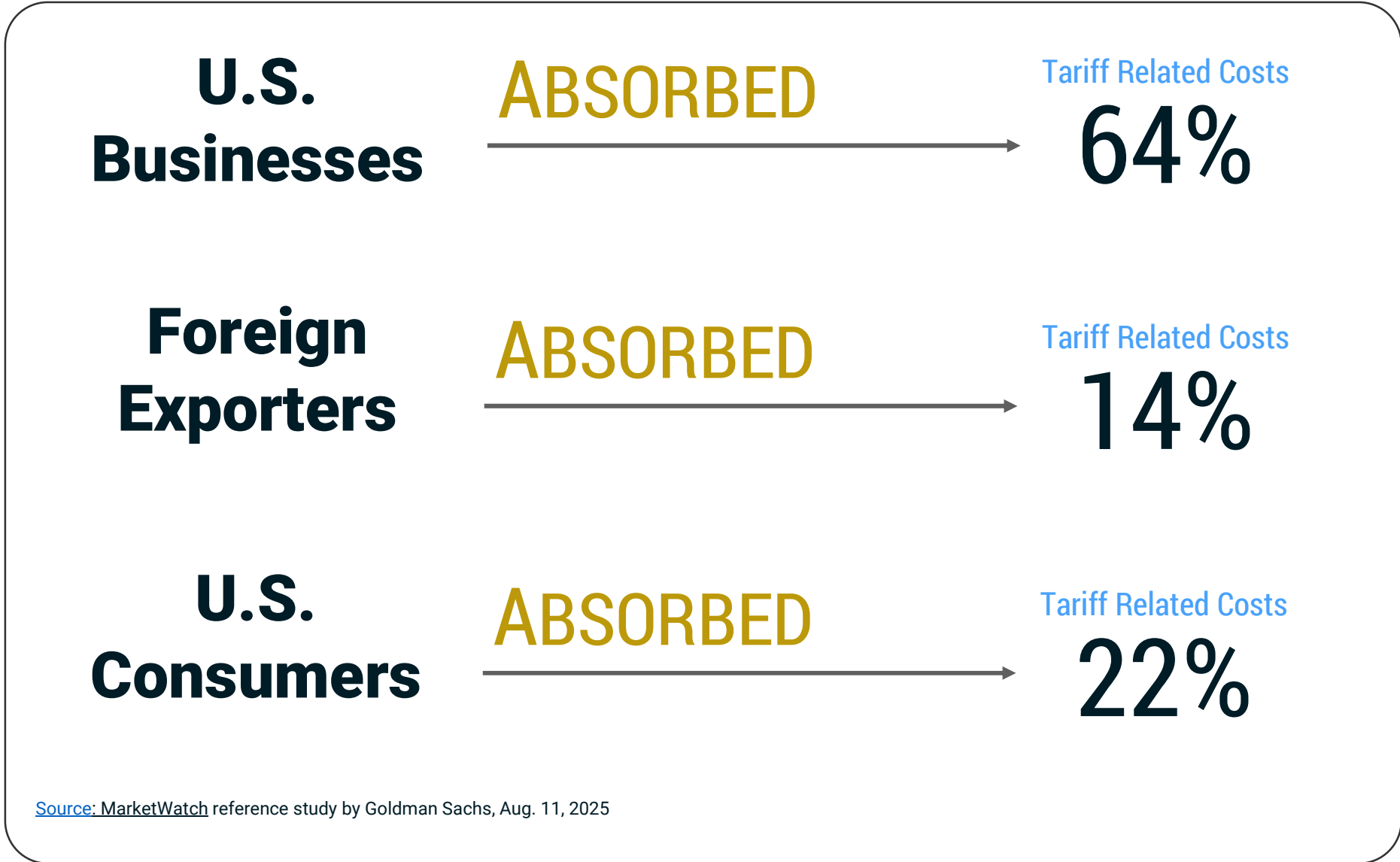
APOLLO

Consumer spending, categorized by tariff impact

%YoY (28 day sum)	Past week	90-day average	Spending relative to past 90 days
Total	2.28	2.03	Stable
Directly impacted			
Nonstore Retailers	4.68	3.02	Rising momentum
Motor Vehicle and Parts Dealer	3.80	4.31	Stable
General Merchandise Stores	4.05	3.92	Stable
Clothing and Clothing Accessories	-2.63	-1.77	Falling momentum
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Sporting Goods and Bookstores	-3.86	-0.70	Falling momentum
Indirectly impacted			
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Building Material and Garden Equipment	1.56	0.87	Stable
Health and Personal Care	-1.57	0.31	Falling momentum
Not impacted			
Air Transportation	-3.35	-6.71	Rising momentum
Gasoline Stations	1.85	0.63	Rising momentum
Water Transportation/Cruises	10.92	7.76	Rising momentum

Tariffs and Inflation

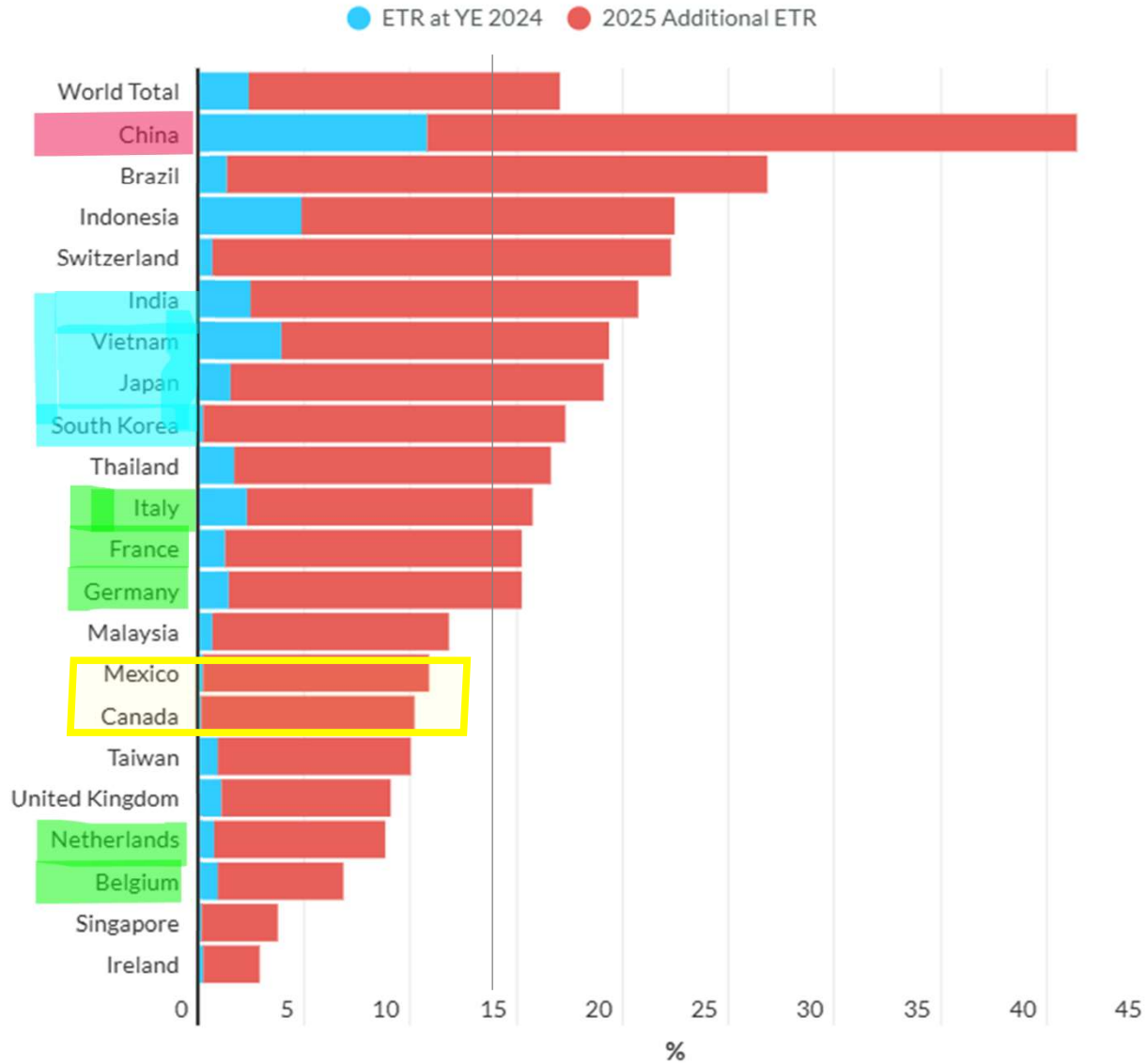
Who's Taking the Hit



Current State of Tariffs

U.S. Effective Tariff Rate by Country

Major trading partners, ordered by 2024 U.S. import amount (USD)



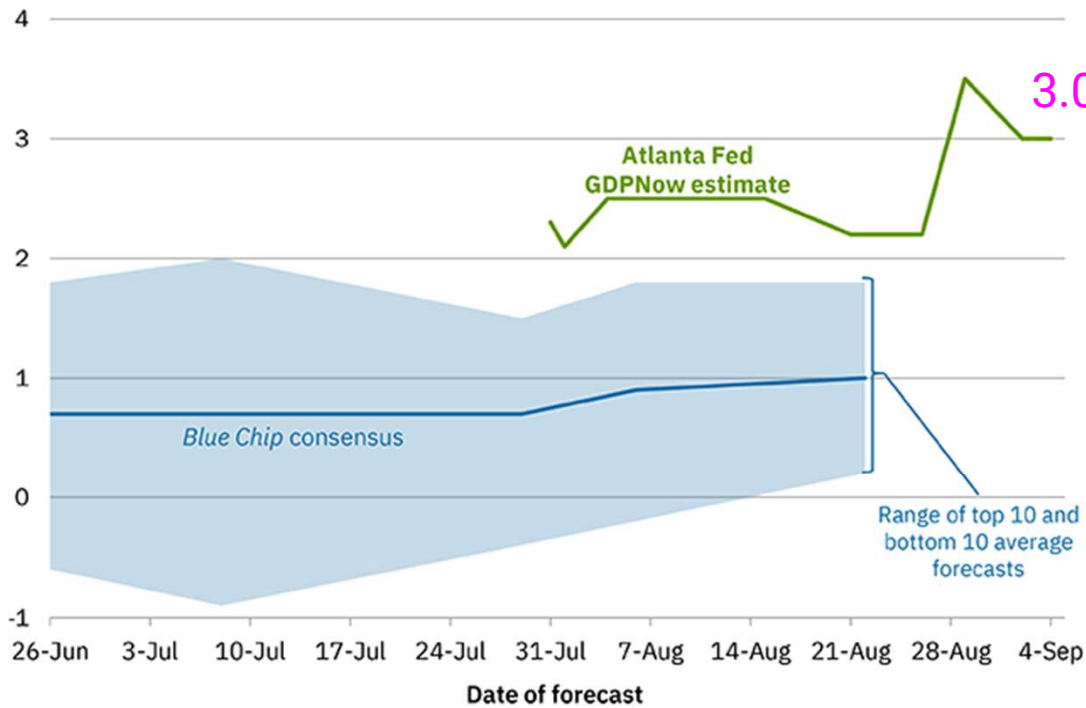
As of Aug. 1, 2025

Source: Fitch Ratings, U.S. Census

FitchRatings

Q3 GDP Outlook

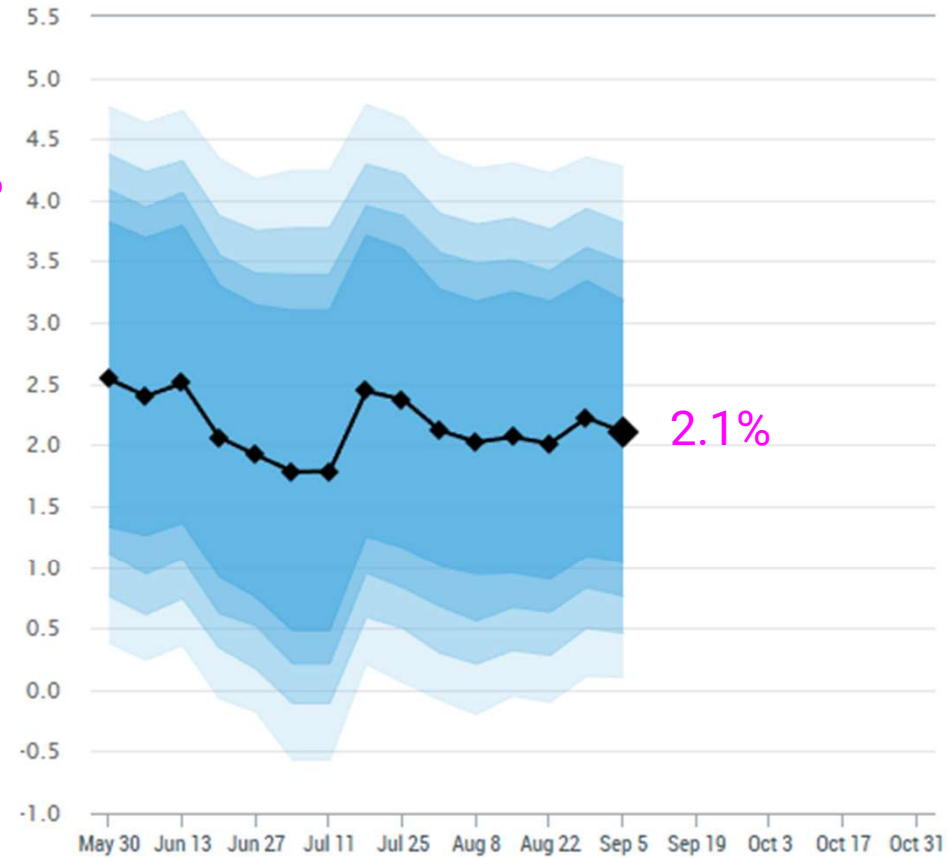
Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q3
 Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

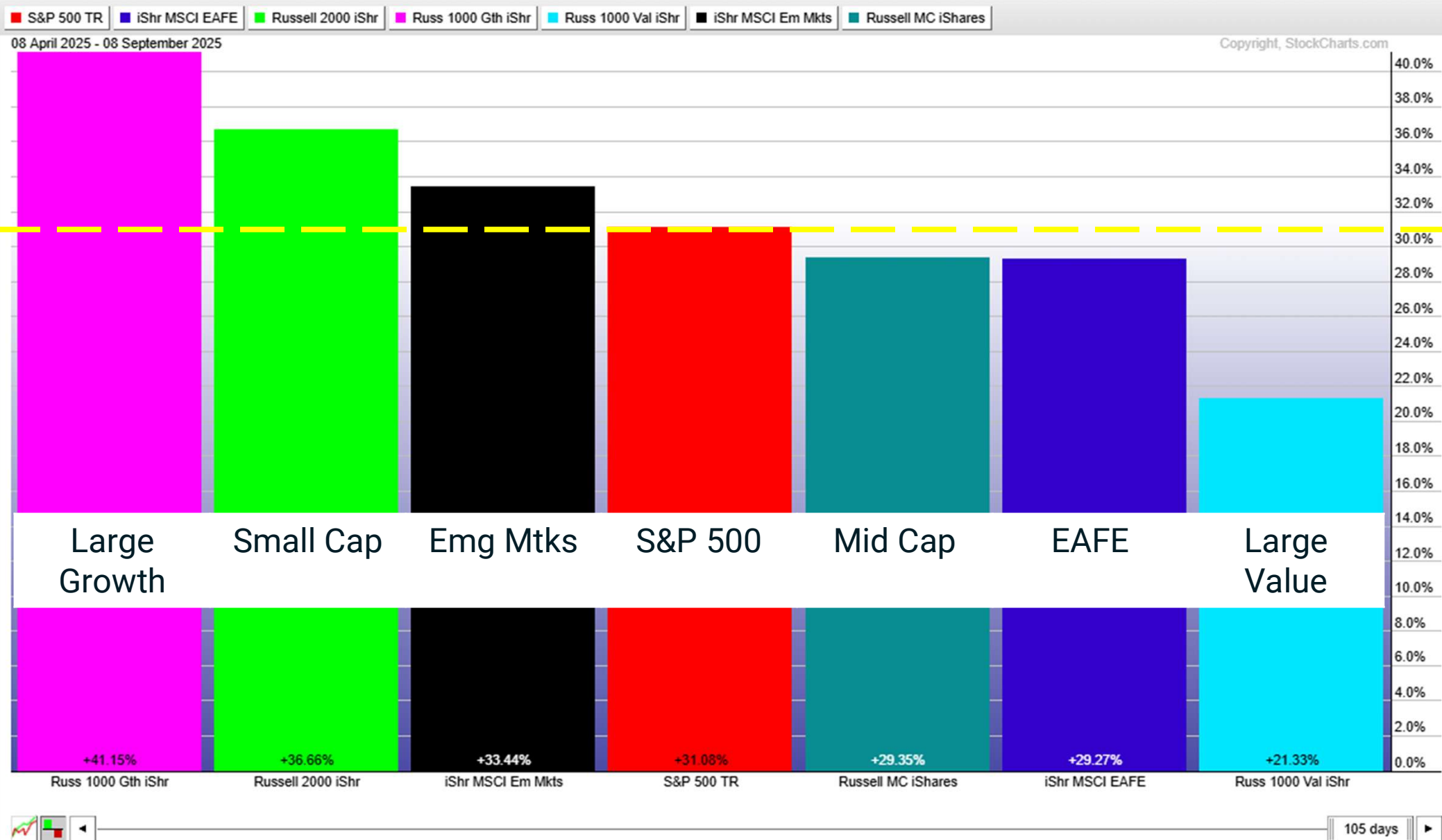
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Percent (annual rate)



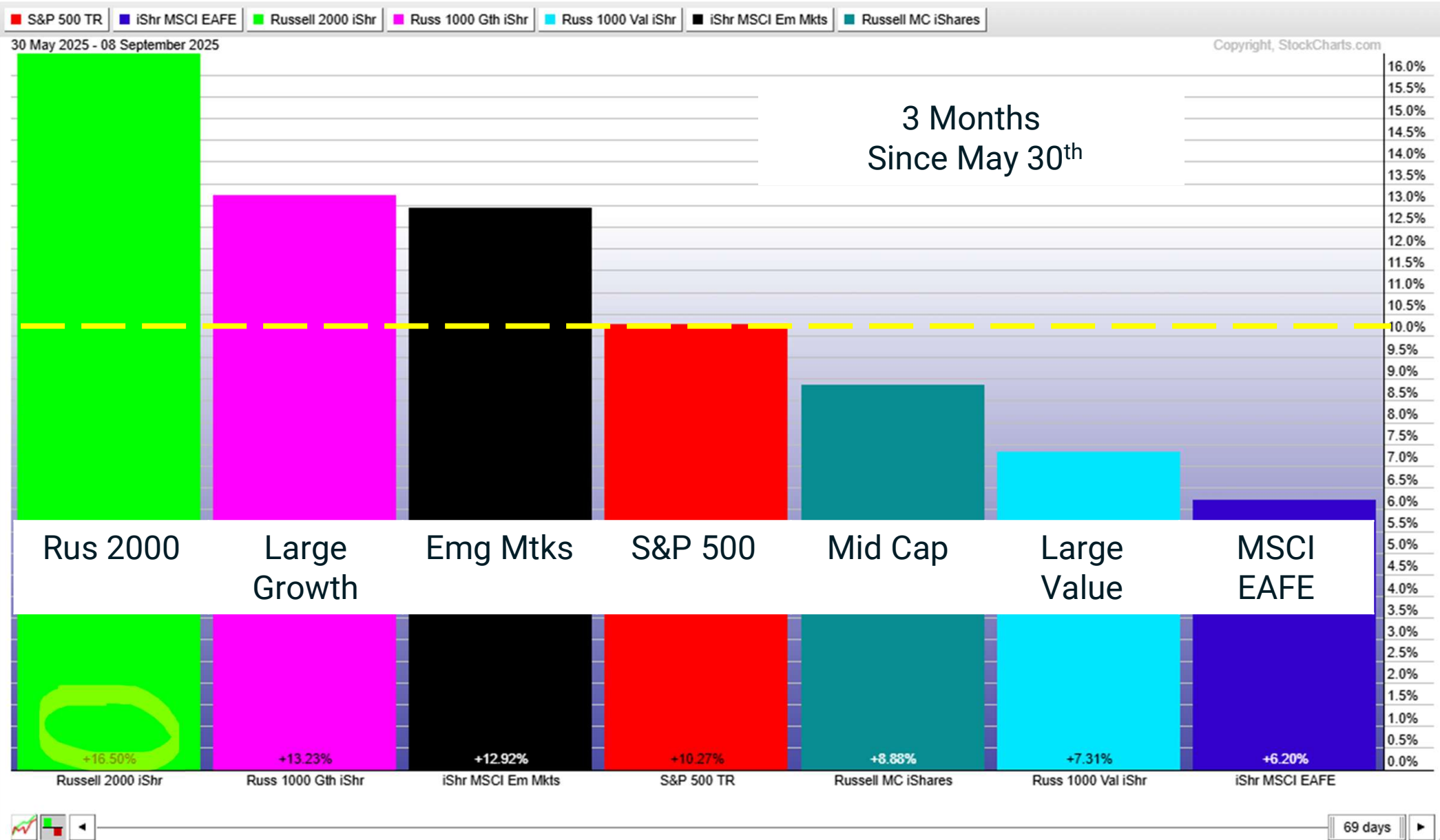
Index Leadership

Since April 8th; Market Bottom from the Correction



Index Leadership

Since May 30th

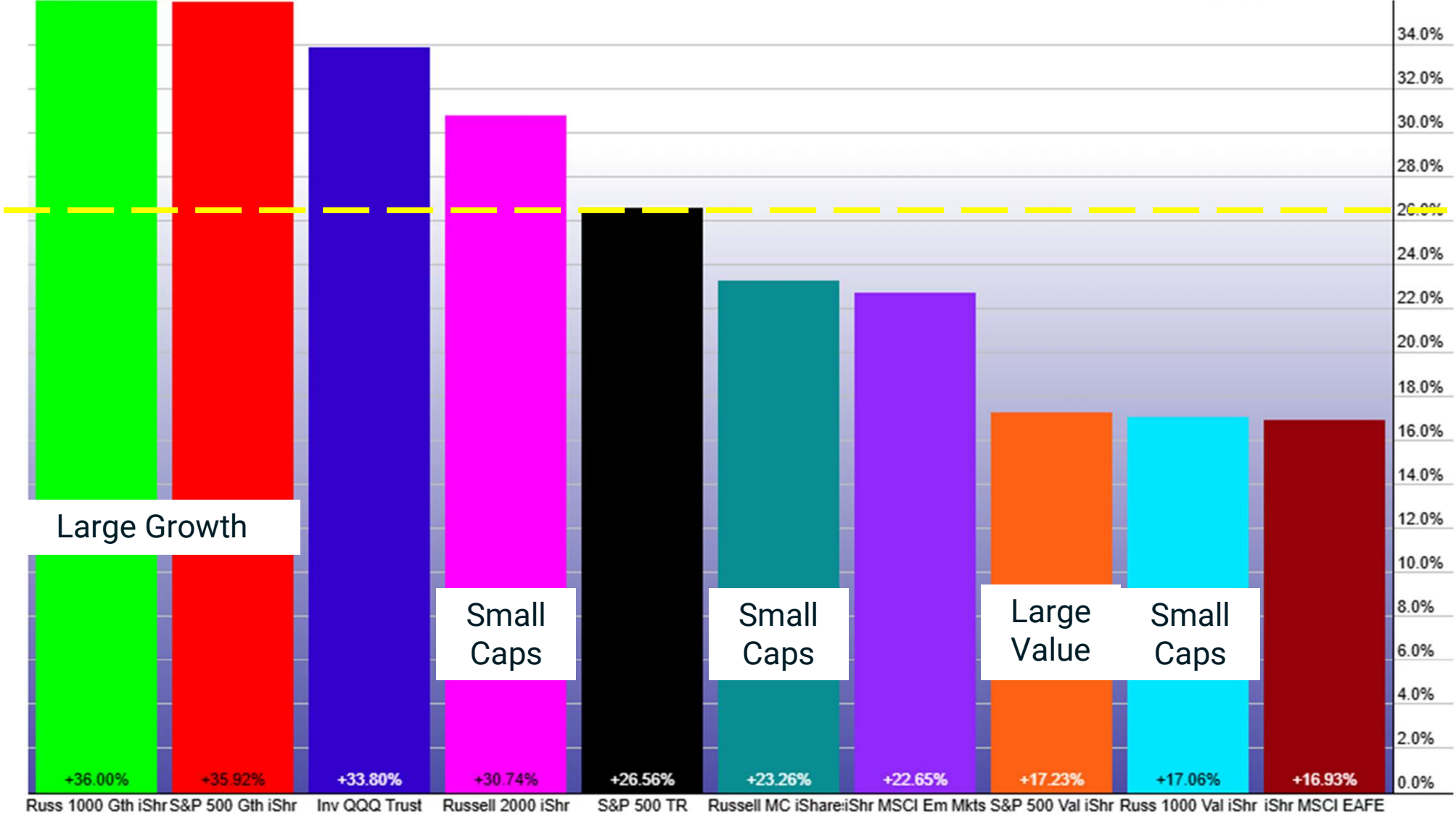


Growth Led the Way from April 21st

Leadership Change Started April 21st

21 April 2025 - 08 September 2025

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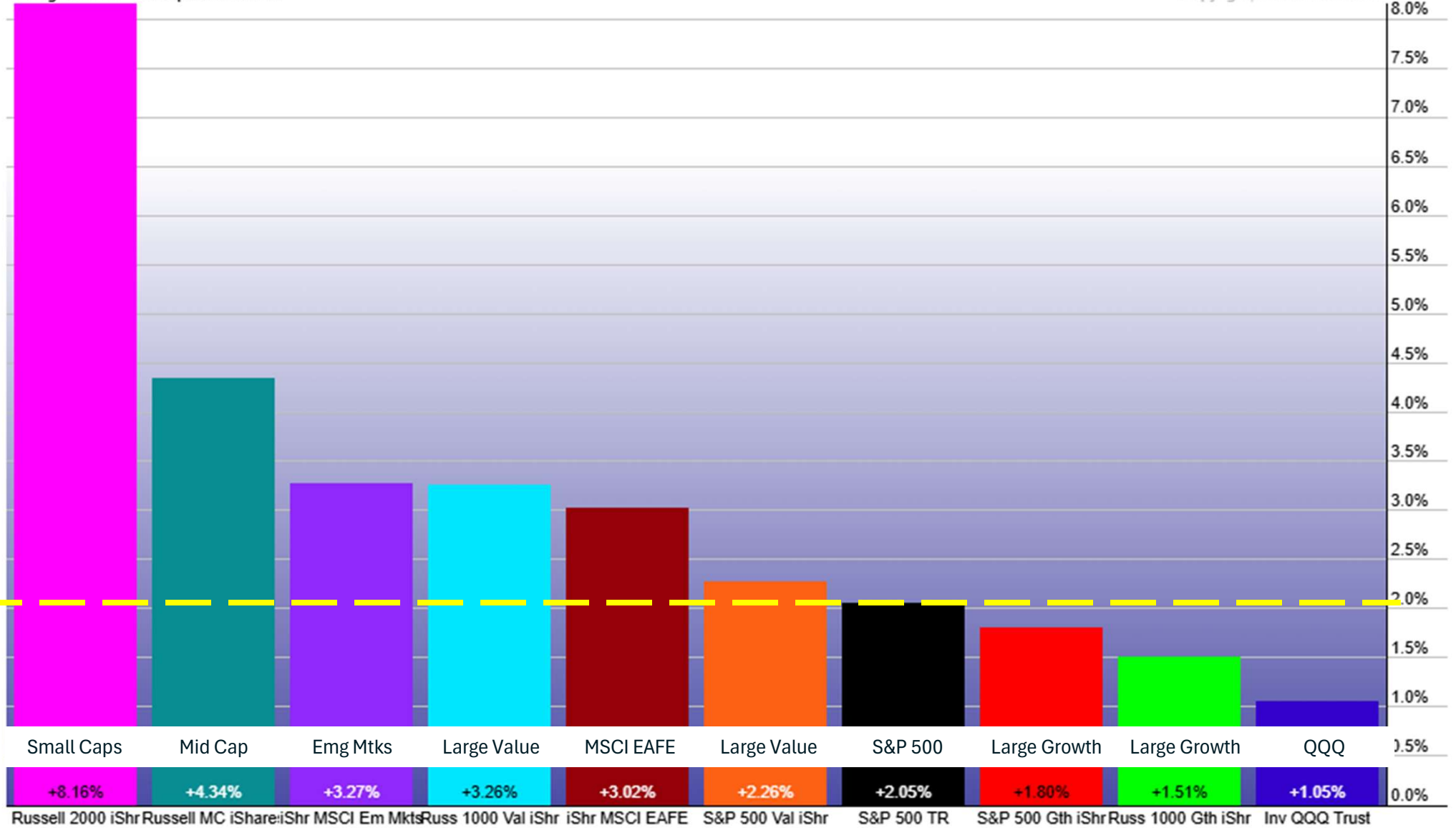


97 days

Small Cap Shift Since August 11th

11 August 2025 - 08 September 2025

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20 days ▶

Where We Stand

\$SPX S&P 500 Large Cap Index INDXX
9-Sep-2025

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Open 6503.33 High 6518.23 Low 6483.08 Last 6512.61 Volume 2.7B Chg +17.46 (+0.27%) ▲



10-Yr. Treasury Yields

\$TNX CBOE 10-Year US Treasury Yield INDX

9-Sep-2025

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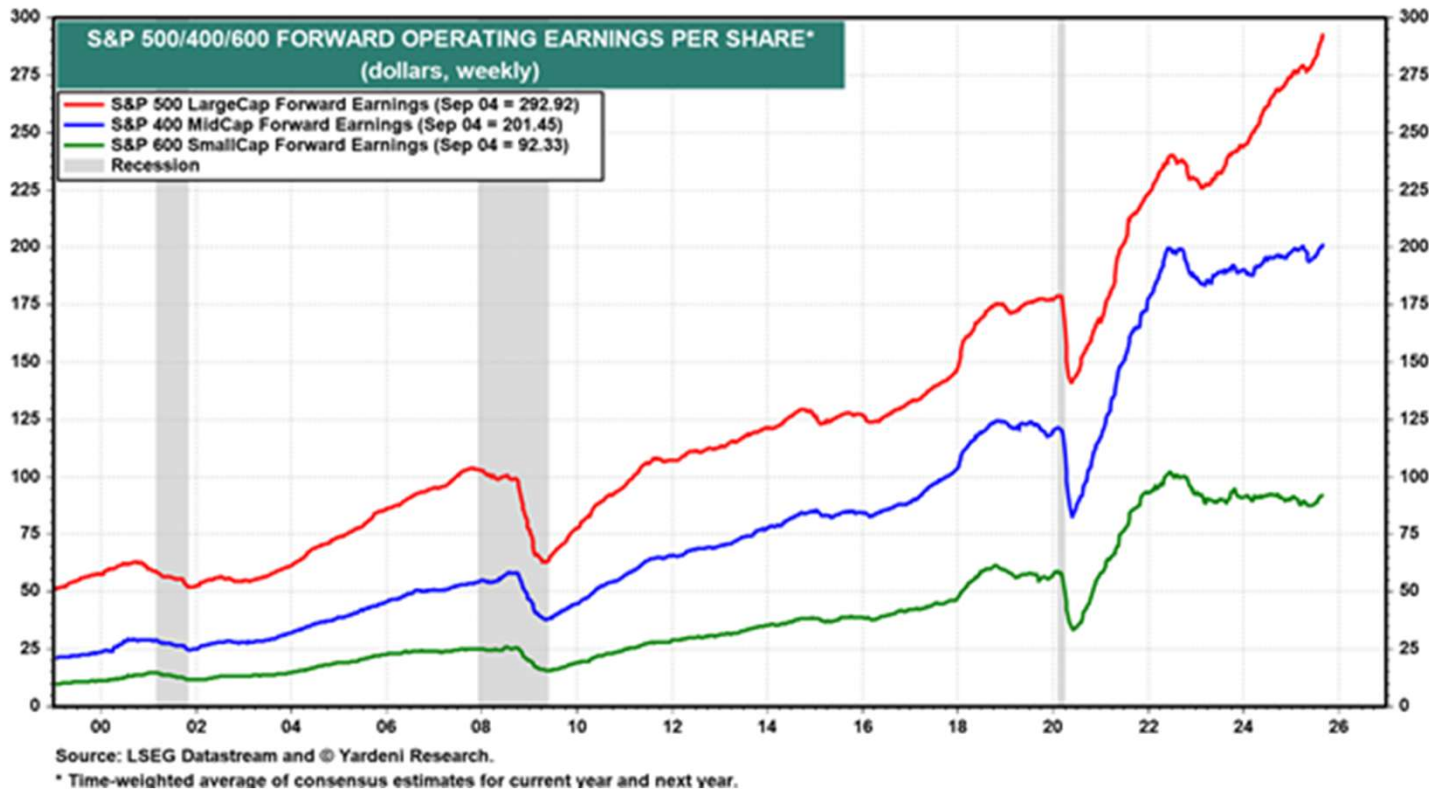
Open 40.65 High 40.91 Low 40.40 Last 40.74 Chg +0.28 (+0.69%) ▲

— \$TNX (Daily) 40.74 (9 Sep)
— MA(200) 43.75



Earnings Dictating Asset Class Leadership

(4) *Global stocks*. The forward earnings of the S&P 500 LargeCaps continue to soar in record-high territory (chart). It has been driving the bull market since August 2020. The forward earnings of the S&P 400 MidCaps and the S&P 600 SmallCaps have been flat-lining since late 2022. They might finally be showing some signs of life. Stay tuned.



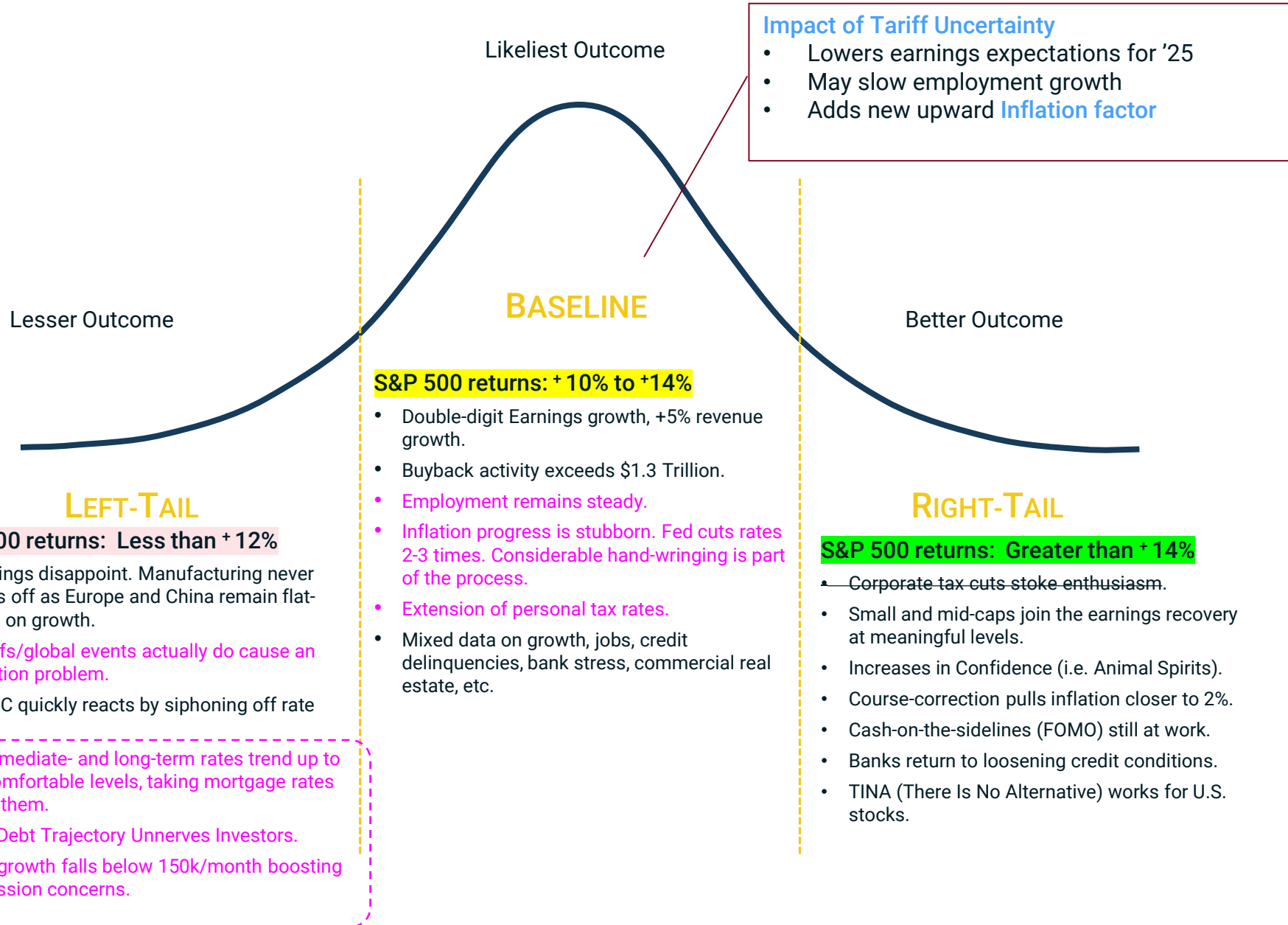
Large Caps

Mid Caps

Small Caps

Macro 2025 Outlook

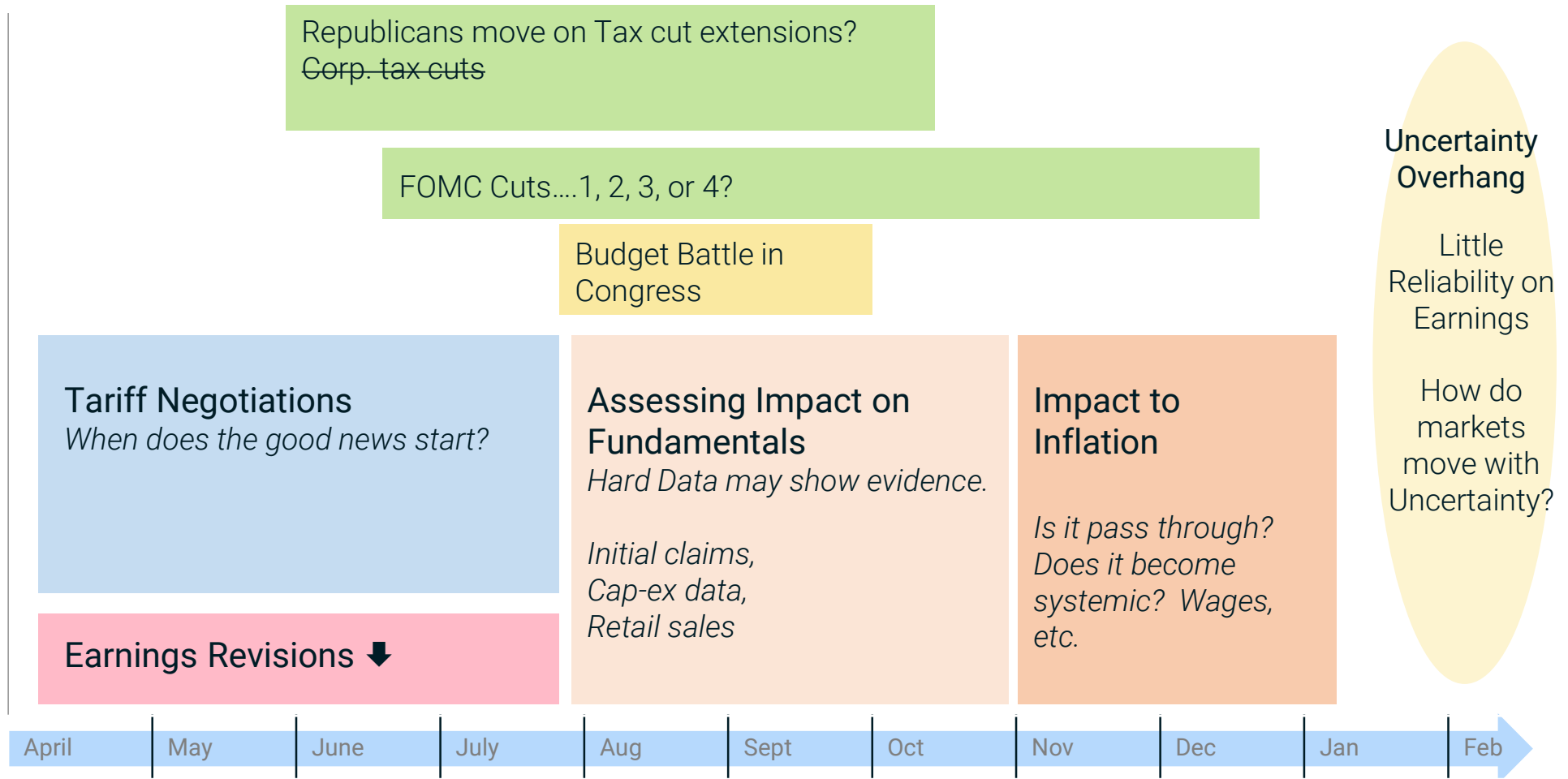
Outlook on U.S. Stocks

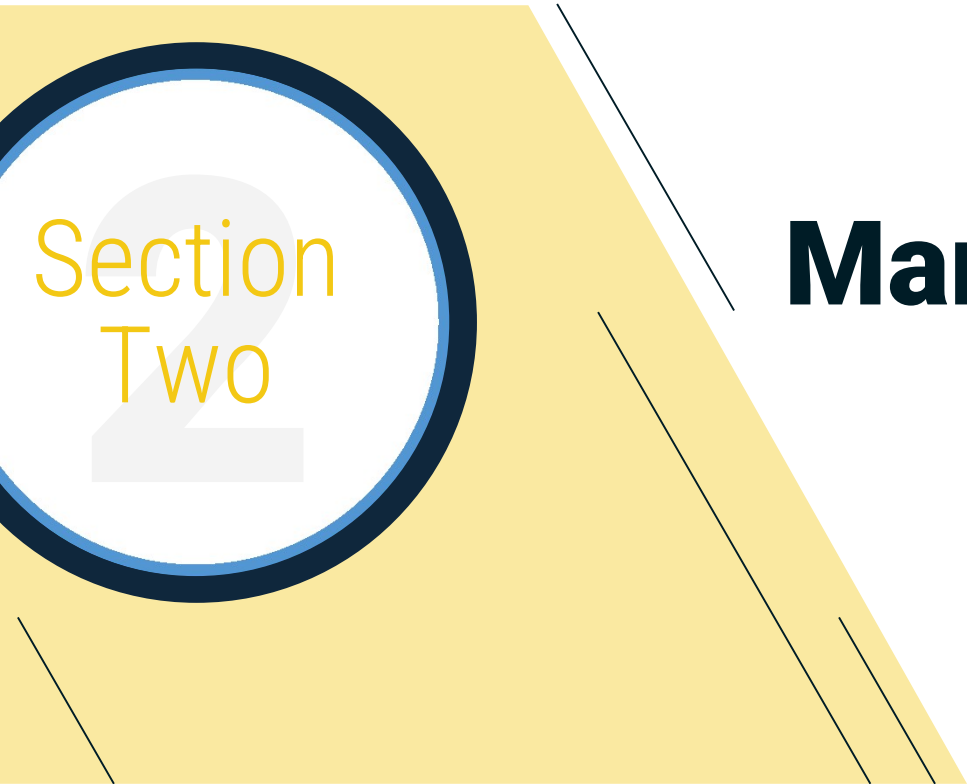


Future Timeline... What's coming

Key Developments Expected for the Year

Looking thru the headwinds into an improving 2026?



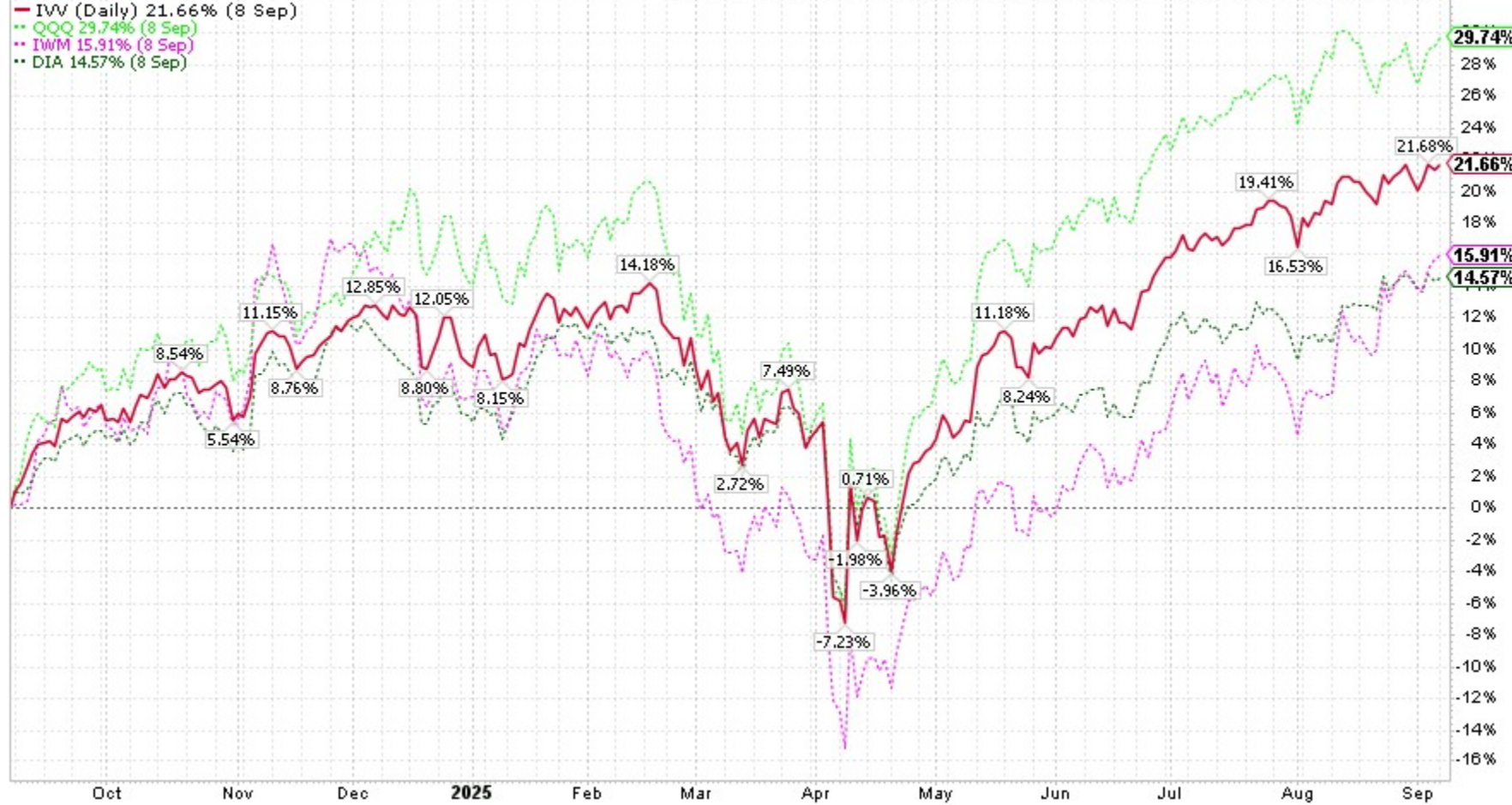


Market Leadership

The Correction - 1 Year

IVV iShares Core S&P 500 ETF NYSE
8-Sep-2025

© StockCharts.com
Open 651.84 High 653.06 Low 650.45 Last 652.12 Volume 5.2M Chg +1.65 (+0.25%)▲



QQQ: 29.74%

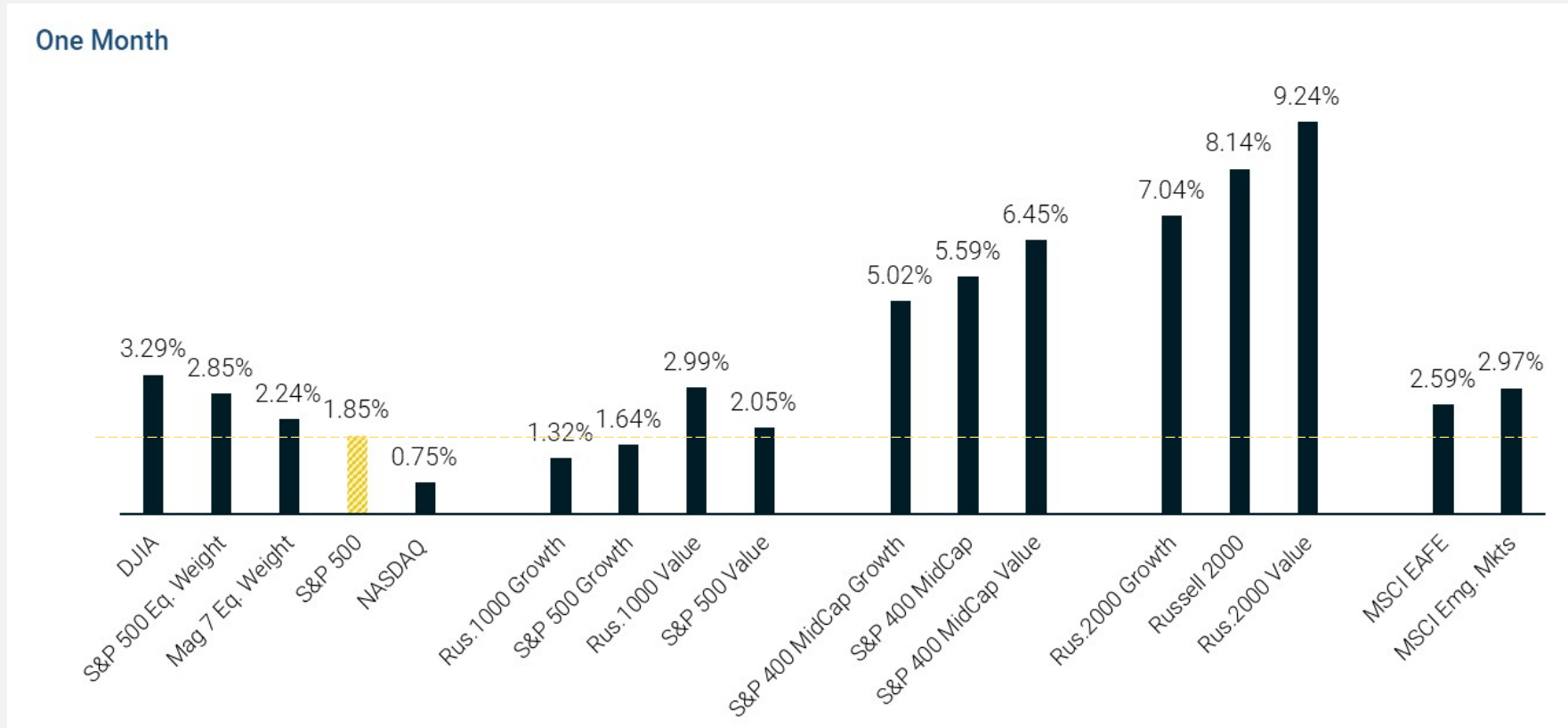
S&P 500:
21.66%

R2000:
15.91%

DJIA:
14.57%

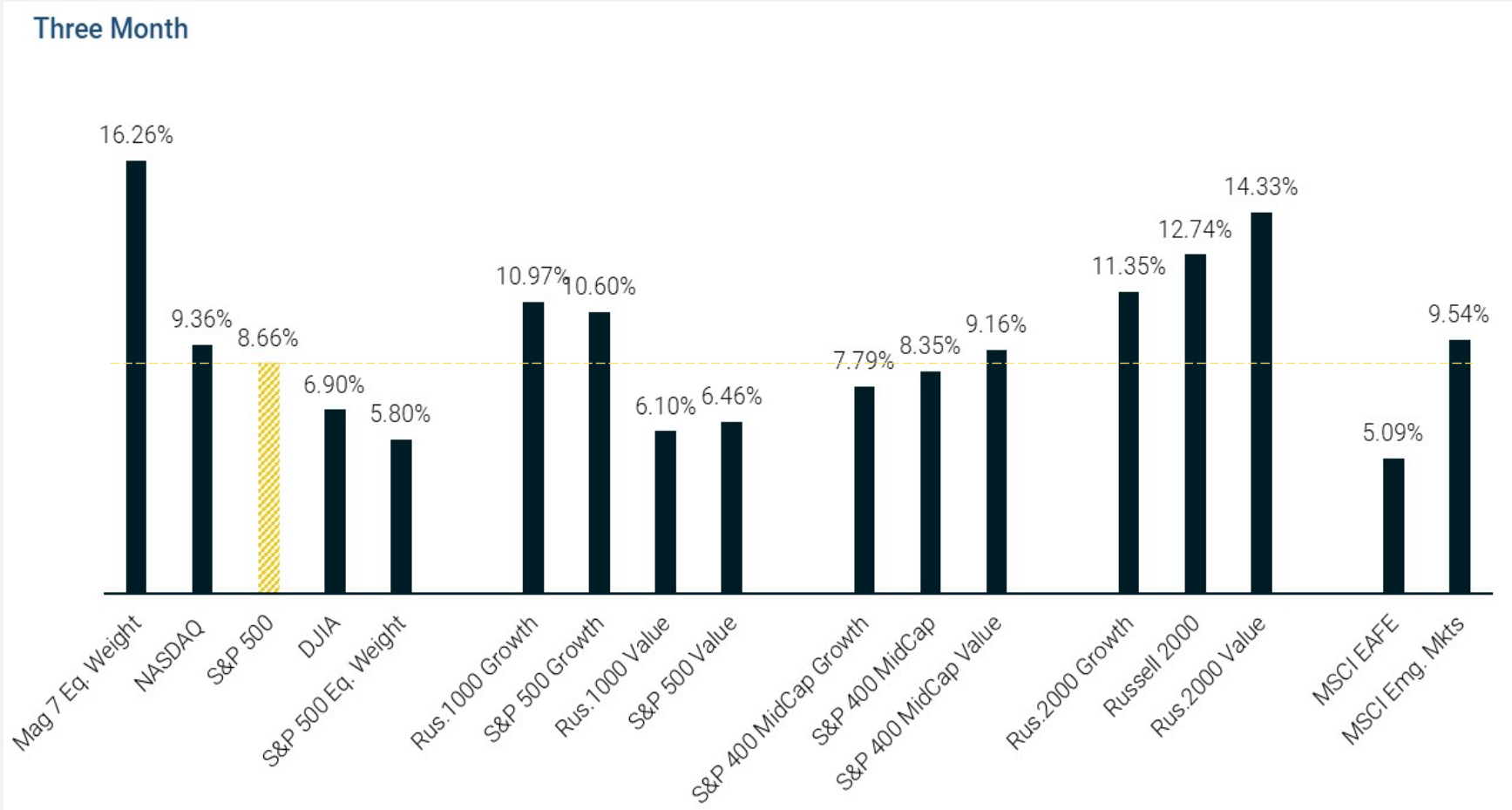
Major Asset Classes: Equities

1 Month



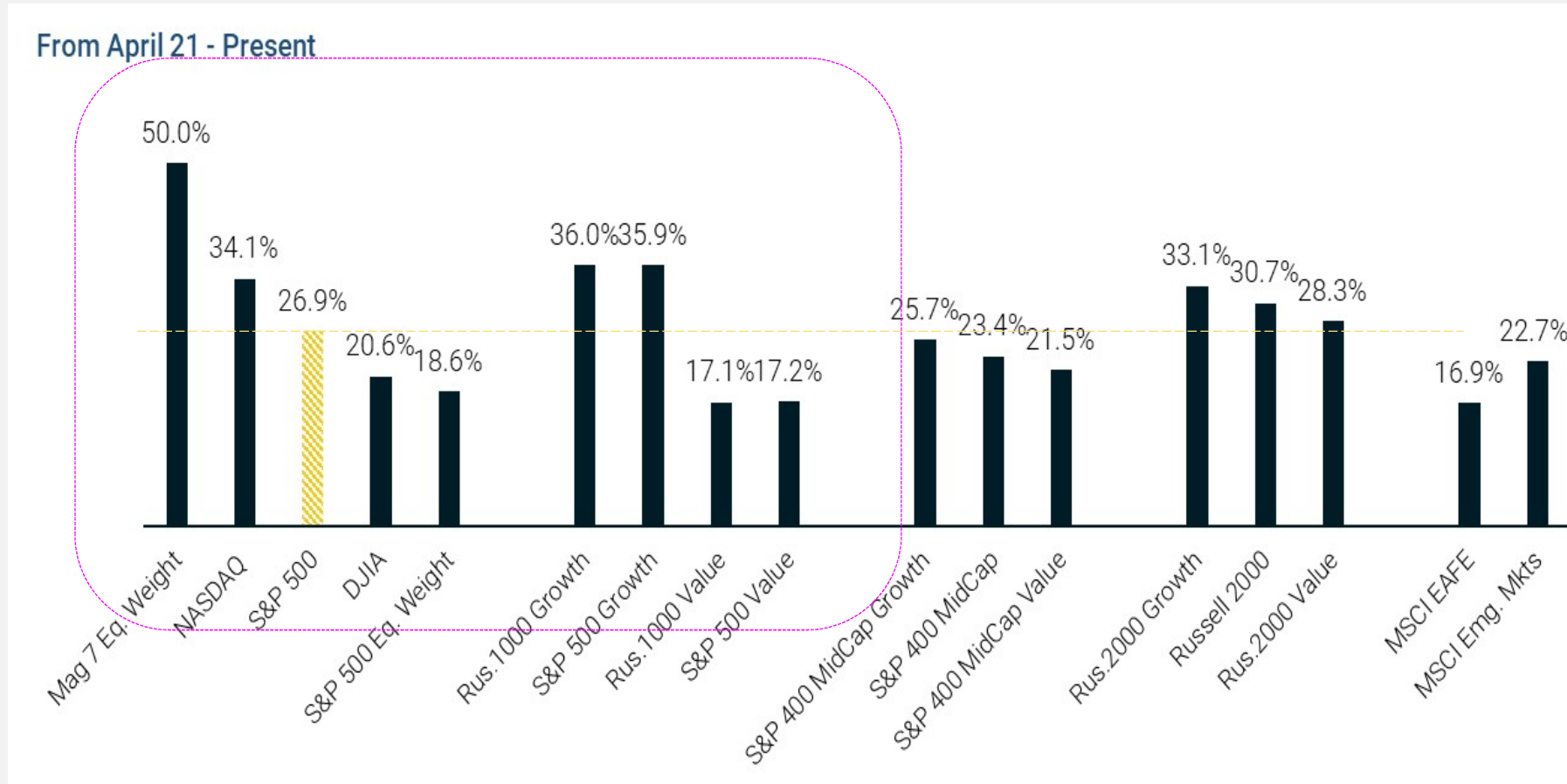
Major Asset Classes: Equities

3 Months



Major Asset Classes: Equities

From April 21st



US vs EAFE – Theme of U.S. Exceptionalism



US vs EAFE – Theme of U.S. Exceptionalism

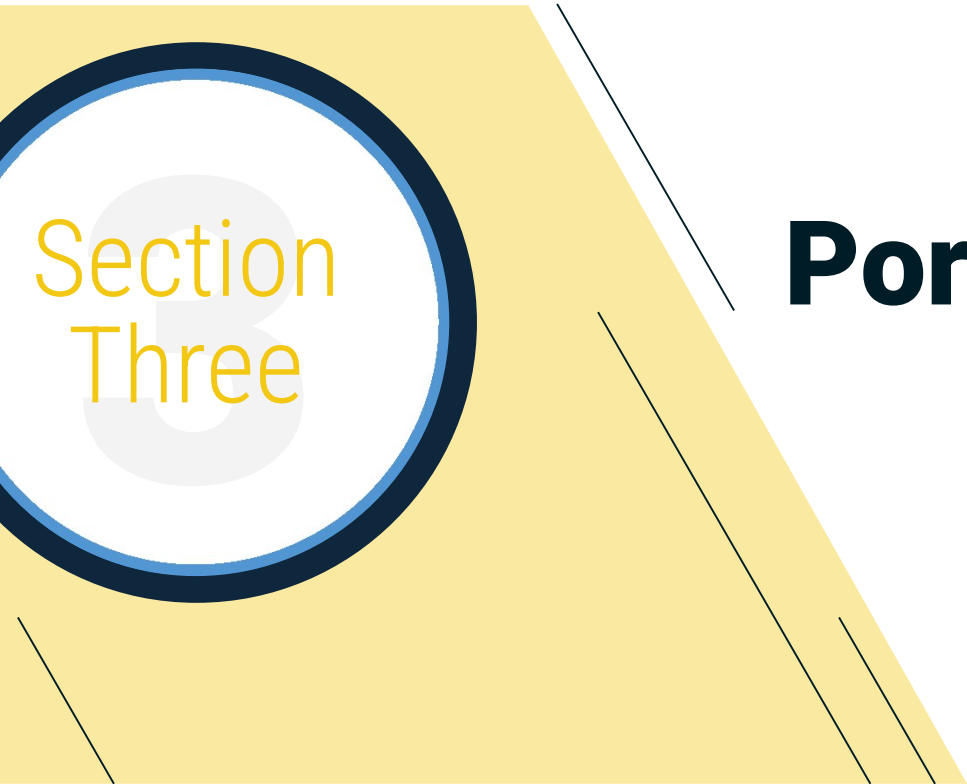
■ S&P 500 TR ■ iShr MSCI EAFE

06 September 2024 - 08 September 2025

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251 days



Portfolios

Portfolio Positioning Summary

EQUITIES

- Remain consistent with the **expansion**.
- **Re-anchor to benchmarks**
- Own healthy portions of mega-cap U.S. stocks without overconcentrating.
- **Added growth fund for future outlook**
- **U.S.** still look prospectively **better than foreign** stocks.

FIXED INCOME

- Focus more on **short-duration exposures** where declining rates are a more certain probability.
- Emphasis on **high quality bonds** for safety
- **Re-anchoring to benchmarks**
- Still maintains a fair amount of **securitized asset exposure**.

Portfolio Analysis

Adaptive Portfolios	Annualized							Morningstar® Comparative Benchmark
	One Month	Three Month	Year To Date	One Year	Three Years	Five Years	Ten Years	
A1 Adaptive Lim. Dur. Inc.	0.49	1.22	1.66	4.26				
<i>Estimated Category Ranking</i>	61st	72nd	100th	94th				Short-Term Bond
<i>Category Median Return</i>	0.51	1.40	3.26	5.03				
**A2 Conservative Income	1.15	3.48	2.58	4.69				
<i>Estimated Category Ranking</i>	64th	47th	100th	81st				Morningstar Global Conservative
<i>Category Median Return</i>	1.11	3.72	6.43	5.94				
A3 Conservative Moderate	1.35	5.14	2.51	5.22	7.88	5.80	6.42	
<i>Estimated Category Ranking</i>	43rd	24th	99th	95th	44th	13th	3rd	Morningstar Global M oderate Conservative
<i>Category Median Return</i>	1.37	4.88	8.34	7.80	7.73	4.77	5.12	
A4 Flexible Low Vol	1.58	6.79	3.34	6.71	10.20	7.58	7.84	
<i>Estimated Category Ranking</i>	52nd	16th	100th	95th	48th	26th	9th	Morningstar Global M oderate
<i>Category Median Return</i>	1.62	5.91	10.76	10.12	9.92	7.20	6.42	
<i>Estimated Category Ranking</i>	36th	37th	76th	65th	32nd	28th	17th	Morningstar Tactical
<i>Category Median Return</i>	1.46	6.42	6.64	8.20	8.27	6.15	5.62	
A5 Moderate Growth	1.72	8.03	8.08	11.25	12.36	8.58	8.40	
<i>Estimated Category Ranking</i>	36th	3rd	93rd	19th	10th	17th	5th	Morningstar Global M oderate
<i>Category Median Return</i>	1.62	5.91	10.76	10.12	9.92	7.20	6.42	
A6 Growth	1.98	8.84	7.67	11.25	12.62	9.16	8.63	
<i>Estimated Category Ranking</i>	25th	8th	97th	61st	36th	37th	39th	Morningstar Global M oderate Aggressive
<i>Category Median Return</i>	1.81	7.06	12.68	12.45	12.11	9.38	8.21	
A7 Core Equity	1.79	9.42	8.61	13.32	14.40	10.35	9.66	
<i>Estimated Category Ranking</i>	49th	1st	96th	40th	28th	37th	46th	Morningstar Global Aggressive
<i>Category Median Return</i>	1.72	7.31	12.33	13.79	14.02	10.18	9.42	

One Year
Ranks when
compared to
U.S. Only

15th

29th

Portfolio Analysis

Strategic Portfolios					Annualized		Morningstar® Comparative Benchmark
	One Month*	Three Month*	Year To Date	One Year	Three Years	Five Years	
**S5 Strategic Mod. 60/40	1.53	7.84	8.35	11.10	One Year Ranks when compared to U.S. Only 26th		M* Global Moderate
<i>Estimated Category Ranking</i>	57th	3rd	91st	21st			
<i>Category Median Return</i>	1.62	5.91	10.76	10.12			
S6 Strategic Growth 80/20	1.90	8.87	8.92	12.98			M* Global Mod Aggressive
<i>Estimated Category Ranking</i>	27th	9th	95th	29th			
<i>Category Median Return</i>	1.81	7.06	12.68	12.45			
S7 Strategic Core	2.06	10.05	9.90	14.76			M* Global Aggressive
<i>Estimated Category Ranking</i>	19th	1st	90th	25th			
<i>Category Median Return</i>	1.72	7.31	12.33	13.79			

Fund Performance: Stock

Sorted by 3-month performance

Funds		One Month*	1 Mo Rnk	Three Month	3 Mo Rnk	6M	6 Mo Rnk	YTD	YTD Rnk	1Y	1 Y Rnk
Common Fixed Income Holdings A1-A3											
EIBAX	Eaton Vance Total Return Bond Fund I	1.65%	51	4.32%	12	4.97%	4	7.65%	4	5.72%	4
GIBIX	Guggenheim Total Return Bond Fund Institutional	1.71%	28	4.32%	12	4.42%	11	7.00%	10	4.76%	10
Agg	iShares Core US Aggregate Bond ETF	1.65%	42	3.94%	49	3.95%	44	6.18%	47	3.10%	53
HYS	PIMCO 0-5 Year High Yield Corporate Bond Index ETF	1.13%	49	3.47%	27	4.39%	62	6.59%	47	8.40%	18
DBLIX	DoubleLine Income Fund I	1.11%	70	3.04%	72	3.89%	72	5.57%	69	8.19%	8
DHEIX	Diamond Hill Short Duration Securitized B Fd I	0.79%	58	2.30%	41	3.54%	10	5.41%	16	7.69%	3
IBHG	iShares iBonds 2027 Term High Yield and Income ETF	0.57%	90	1.96%	94	3.42%	90	5.24%	74	7.36%	57
GIYIX	Guggenheim Ultra Short Duration Institutional	0.46%	48	1.40%	49	2.62%	14	3.67%	26	5.38%	20
TFLO	iShares Treasury Floating Rate Bond ETF	0.29%	97	1.02%	98	2.10%	90	2.93%	89	4.56%	80
Unique Fixed Income Holdings in A1-A3											
IBHF	iShares iBonds 2026 Term High Yield and Income ETF	1.22%	58	3.10%	60	3.80%	74	5.34%	76	7.90%	8
JSCP	JPMorgan Short Duration Core Plus ETF	1.03%	12	2.64%	14	3.75%	15	5.45%	11	5.96%	15
GIOIX	Guggenheim Macro Opportunities Fund Institutional	0.91%	59	2.71%	53	3.92%	41	5.58%	45	6.86%	35
ISTB	iShares Core 1-5 Year USD Bond ETF	0.93%	25	2.52%	26	3.61%	22	5.11%	25	5.17%	58
USTB	VictoryShares Short-Term Bond ETF	0.80%	57	2.13%	57	3.27%	43	4.66%	43	5.74%	21
TBUX	T Rowe Price Ultra Short-Term Bond ETF	0.49%	28	1.60%	22	2.72%	16	3.83%	16	5.29%	19
JAAA	Janus Henderson AAA CLO ETF	0.58%	47	1.49%	27	2.79%	23	3.55%	28	5.72%	5

Fund Performance: Fixed Income

Sorted by 3-month performance

Funds	Common Equity Holdings A4-A7	One Month*	1 Mo Rnk	Three Month	3 Mo Rnk	6M	6 Mo Rnk	YTD	YTD Rnk	1Y	1Y Rnk
IWF	iShares Russell 1000 Growth	1.65%	67	11.23%	19	19.89%	37	13.10%	39	22.48%	25
CGGR	Capital Group Growth ETF	3.56%	8	11.03%	21	21.94%	15	16.46%	10	26.27%	10
DYNF	iShares US Equity Factor Rotation Active ETF	2.10%	64	10.04%	9	16.18%	8	13.64%	7	19.01%	7
FELC	Fidelity Enhanced Large Cap Core ETF	2.79%	21	9.20%	20	13.95%	31	11.32%	45	15.39%	23
IVV	iShares Core S&P 500 ETF	2.09%	60	8.81%	36	13.69%	37	11.72%	30	15.96%	29
SPY	SPDR S&P 500 ETF Trust	2.06%	62	8.77%	39	13.60%	40	11.63%	33	15.86%	31
LRGF	iShares US Equity Factor ETF	2.26%	47	8.77%	38	13.76%	33	12.59%	15	17.19%	10
PTLC	Pacer Trendpilot US Large Cap ETF	2.05%	69	8.72%	47	1.72%	98	-0.15%	100	3.54%	96
FMDE	Fidelity Enhanced Mid Cap ETF	3.92%	49	7.16%	35	13.32%	17	10.45%	12	15.26%	13
RWL	Invesco S&P 500 Revenue ETF	4.29%	10	7.40%	30	8.95%	23	11.96%	20	12.49%	14
QUAL	iShares MSCI USA Quality Factor ETF	2.34%	43	5.94%	86	7.93%	87	7.17%	91	7.40%	89

Funds	Unique Holdings in A4-A7	One Month*	1 Mo Rnk	Three Month	3 Mo Rnk	6M	6 Mo Rnk	YTD	YTD Rnk	1Y	1Y Rnk
RWK	Invesco S&P MidCap 400 Revenue ETF	7.90%	1	12.22%	3	14.71%	5	10.57%	19	10.25%	8
XSMO	Invesco S&P SmallCap Momentum ETF	6.80%	32	9.06%	46	18.15%	6	11.00%	5	11.25%	6
GARP	iShares MSCI USA Quality GARP ETF	3.15%	12	9.02%	60	18.70%	49	13.02%	40	20.19%	36
ICVT	iShares Convertible Bond ETF	4.71%	15	8.90%	9	14.43%	47	14.51%	24	18.74%	18
DMBS	DoubleLine Mortgage ETF	1.94%	7	4.82%	3	4.49%	4	7.01%	3	4.13%	10
USMV	iShares MSCI USA Min Vol Factor ETF	1.51%	85	1.55%	99	1.15%	99	6.88%	92	4.90%	96

Major Indexes

S&P 500	S&P 500	2.08%		8.78%		13.64%		10.73%		15.88%	
DJIA	Dow Jones Industrial Average	3.74%		7.36%		7.78%		8.77%		11.45%	
NASDAQ	Nasdaq Composite	2.09%		11.85%		20.67%		13.83%		21.95%	
MSCI EAFE	iShares MSCI EAFE ETF	2.25%		4.75%		11.33%		24.32%		13.68%	
Russell 2000	iShares Russell 2000 ETF	7.50%		11.31%		15.58%		7.73%		8.09%	
Mid Cap 400	SPDR S&P MidCap 400 ETF Trust	4.63%		7.08%		10.02%		5.51%		6.58%	

Q & A