Quarterly Letter

October 2025

ALEXIS ADVISORS

A Note from Our Founder

The third quarter of 2025 saw U.S. equities hit record highs, fueled by the artificial intelligence (AI) boom and expectations of Federal Reserve rate cuts.

Yet uncertainty persists, highlighted by Berkshire Hathaway's cash reserve holding - a record $358 billion, the highest in its history. Entering 2025, we positioned equity portfolios more conservatively given economic and political uncertainties. This helped protect client accounts during March's sharp decline but impacted our Equity Growth Portfolio's year-to-date performance.

Offsetting this, our Risk Managed Portfolio benefited from a meaningful allocation to a gold ETF, cushioning overall account performance.

September, historically one of the most volatile months, has been unusually resilient. Depending on upcoming labor data —which may be delayed by the shutdown—we could see volatility pick up before markets potentially rally into year-end. Of course, we say this with much humility, as the future is uncertain! As always, we remain focused on balancing prudent risk management and long-term opportunity.

Market Overview

Q3 In Review

After a turbulent first half of 2025, U.S. equities rebounded in Q3, reaching new all-time highs. The S&P 500 closed the quarter above 6,600, led by accelerating AI investment and expectations of Federal Reserve rate cuts.

TThe index is up +13.3% year-to-date, still largely driven by its out-sized allocation to the Magnificent 7. Defensive sectors (healthcare, materials, energy) lagged. Bonds stabilized, with the Core Bond Aggregate up +3.4%. Gold is the standout, soaring +47.2%—we hold a 35% gold ETF allocation in our Risk Managed Portfolio, capturing a portion of this move.

Despite global headwinds, U.S. growth remained resilient. Unemployment edged lower (though expected to rise later this year). The Atlanta Fed's GDPNow projected 3.9% annualized growth, fueled by robust consumer spending. AI continued to drive markets, supported by record investment from Amazon, Microsoft, Alphabet, Meta, and Nvidia. Inflation, however, remained sticky at 2.9% (core PCE), above the Fed's 2% target. Inflation and unemployment remain key to the direction of interest rates.

Internationally, conditions were less rosy. The OECD and World Bank lowered forecasts, citing trade tensions and tighter financial conditions. The administration imposed broad tariffs, pushing U.S. rates to decades-highs, disrupting trade and spurring new alliances.

Key Announcements

The Advyzon Client Vault is getting for a refresh! In October, Advyzon is rolling out a new version of the Client Portal.

We will highlight important changes pertaining to portal navigation in a separate email! *Client login credentials will remain unchanged.*

In the Community

American Sustainable Business Network (ASBN) ***Business, Policy & Purpose Conference*** October 21st - 23rd - **Register!**

ASBN - Sustainable Business Networking Event October 23rd Hardywood RVA - **RSVP!**

Alexis Events

Stock Market Update

Thursday November 13th at Noon - **Register Here!**

What's Next?

Looking ahead to Q4, markets will be shaped by Fed policy, corporate earnings, and trade developments. As of this writing the Fed is expected to continue to cut rates, which could provide further support to equities and bonds.

However, we need to clear a few hurdles first.

Over the short term, we are faced with a government shutdown. Historically, shutdowns cause only short-term market volatility, with little lasting impact. While prolonged closures or weak economic backdrops may heighten risks, shutdowns remain far less severe than debt ceiling crises or default concerns.

More meaningful impacts may come from upcoming employment reports. This week's report - which may not be released if the government is still shut down - will heavily influence the Fed's next move. Strong job gains or low unemployment could delay rate cuts, while weaker payrolls or softer wages would support easing. While wage pressures matter, the Fed will look at trends, not one month's data.

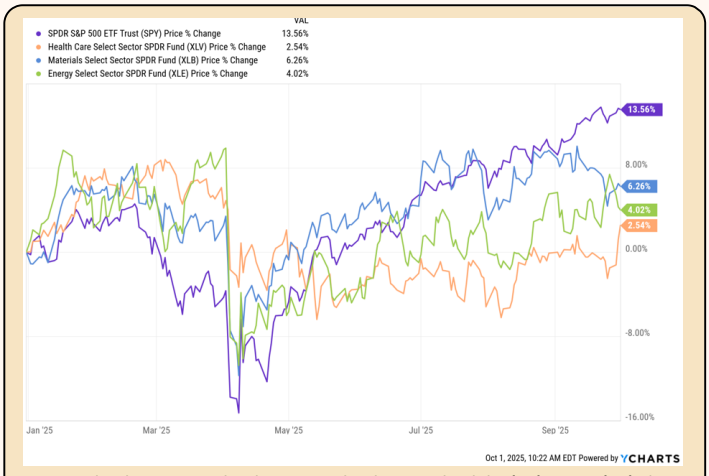
As I write, Congress is wrangling over the budget. Hopefully a middle ground can be struck - one that supports those most vulnerable.

Geopolitics: We continue to monitor global tensions. Instability may rise in the Middle East, and the Russia–Ukraine conflict could intensify. U.S.–China tensions are most worrisome, escalating as Beijing presses Washington to oppose Taiwan independence. An attack on Taiwan would have a meaningful impact on global markets.

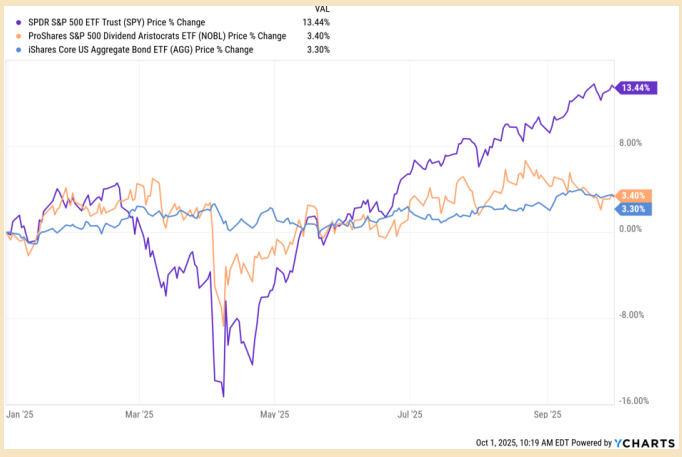
Global Economy: Fragmented trade networks, supply-chain shifts, and AI-driven competition will continue shaping the global landscape, though their economic impacts remain uncertain - for example, while these technologies will greatly improve efficiencies, will the result in a rise in unemployment?

Corporate earnings: Analysts project ~7.3% earnings growth and ~6.4% revenue growth for the S&P 500 companies. Tech and AI firms will likely continue to lead, but valuations are stretched and margin expansion may be harder to sustain given added tariff costs. In short, we favor companies with strong balance sheets and cash flow over high-flying growth names.

In conclusion, the horizon remains foggy, reinforcing our approach of a slight tilt towards managing risk in our equity portfolios. Gold remains a core holding in our Risk-Managed Portfolio. Bond allocations balance rate-sensitive ETFs with stable funds with solid yields - SHV yields 4.4%, SJNK 7.2%.



S&P 500 (SPY), Healthcare (XLV), Materials (XLB), Energy (XLE) (12/31/2007 – 9/30/25)



S&P 500 (SPY), Dividend Aristocrats (NOBL), Core US Bond (AGG) (12/31/24 – 9/30/25)

SRI Spotlight - Highlighting Social Responsibility in Action

This quarter we are highlighting a more "conventional" socially responsible company - Advanced Energy Systems. AES is a full-service solar and battery systems firm serving residential, commercial, and municipal clients. The company designs custom systems that convert sunlight into electricity, manages grants and tax-credit analysis, and provides ongoing maintenance. We're supporting a local group whose mission is to install solar on Richmond Public Schools, leveraging tax credits before they expire. Solar remains a viable, complementary energy solution!