Capital Markets Review & Outlook
September 30, 2025

STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

REVIEW

REVIEW - Summary Capital Market Commentary – Q3/2025

Executive Summary

Policy is easing into a world of sticky cross-winds—slowing growth pockets, firm-but-moderating inflation abroad, and elevated geopolitical risk—so we expect a "barbell" market: high-quality bonds regaining their ballast role while large-cap growth and selective non-US exposures continue to lead, with gold/commodities acting as shock absorbers when headlines flare.

U.S. Economy

- The Fed's September cut met a cooling confidence backdrop, pointing to policy easing into uncertainty. Businesses and consumers remain cost-sensitive as tariffs and longer-run price pressures linger.
- Labor signals softened at the margin while recession odds stayed balanced rather than acute. Corporate guidance continued to emphasize cost control and select capital spending.
- Consumers are uneasy but not collapsing: The Conference Board's index fell again, yet the NY Fed's survey shows households still see jobs obtainable even as they fear higher unemployment—so sentiment is weak, not broken for the time being.

US and International Equity

- US equities advanced in September (S&P 1500 +3.4%; Q3 +8.0%), with Growth again outpacing Value (+5.0% vs +1.7%), and large caps leading small caps.
- International equities rose as well (EAFE +2.0% in Sep; +4.8% in Q3; EM +7.2% in Sep; +11.0% in Q3), extending strong year-to-date gains.

Commodities & Digital Currency

- Gold surged (+10.5% in September; +16.4% in Q3; ~+45% YTD), signaling persistent hedging demand against policy and geopolitical risks.
- Broad commodities were modestly positive for Q3, with crude oil choppy and ending near flat quarter-to-date.
- Digital assets were mixed, with macro signals and policy headlines driving short bursts of volatility.

Source: Zephyr StyleAdvisor, WSJ, FTimes, The Economist & SAA

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US and International Fixed Income

- Core bonds gained with the policy pivot (Bloomberg U.S. Aggregate +1.1% Sep; +2.0% Q3; +6.1% YTD), while Treasurys and TIPS also posted monthly gains.
- Credit spreads edged tighter, supporting High Yield (+0.8% Sep) and Leveraged Loans (+0.4% Sep) as risk appetite improved late in the quarter.
- Global bonds were slightly positive for Q3 (FTSE WorldBIG +0.9%), aided by the September rally.

Currency & Inflation

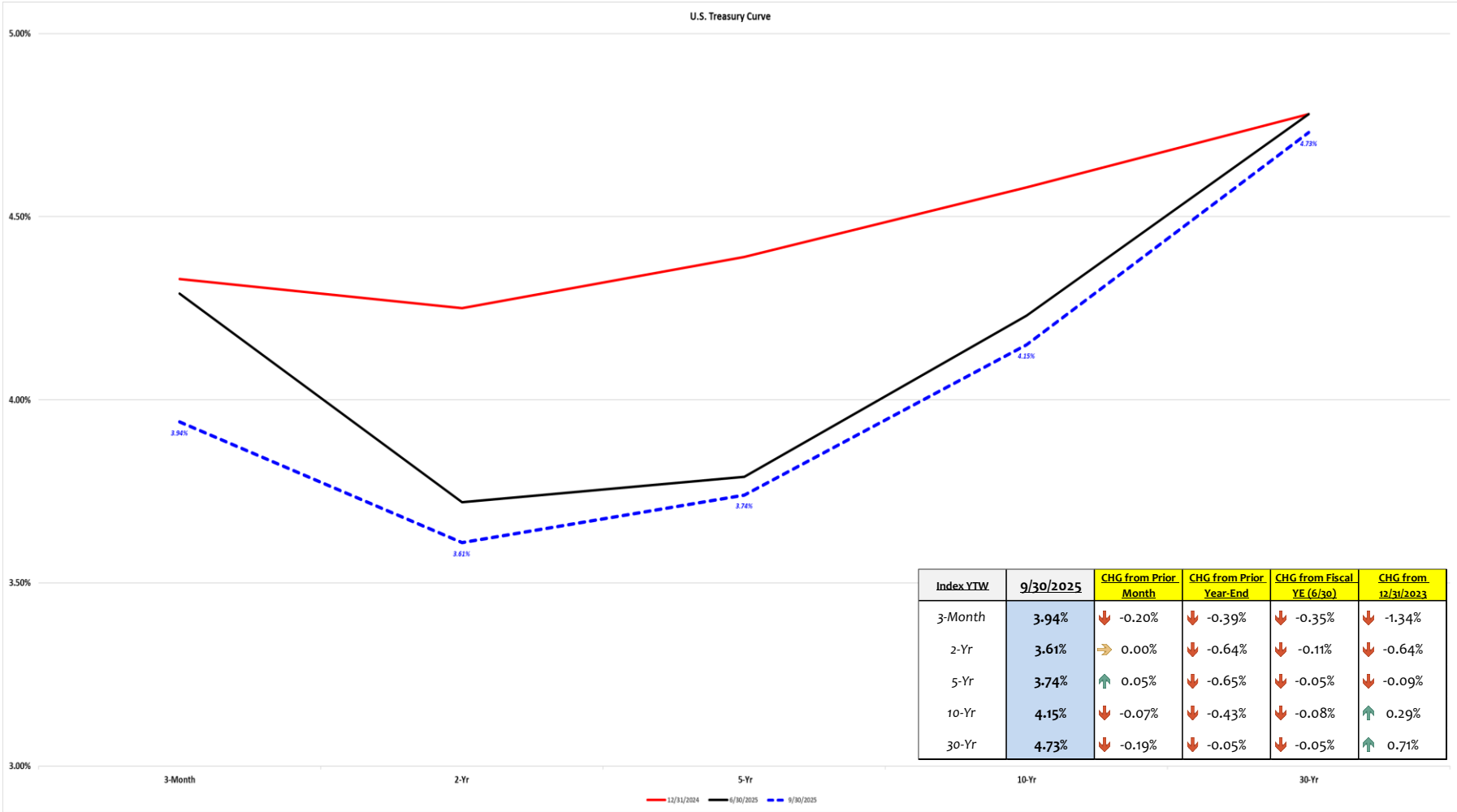
- Currency effects supported non-US equity returns in recent periods; prior quarter commentary noted a weaker dollar versus the euro, pound, and yen, a dynamic that continued to matter for USD investors.
- Inflation abroad remained firm enough to keep "sticky" in the vocabulary, even as US policy turned easier.
- Market-implied inflation expectations stayed contained, with commodity moves doing more of the near-term signaling.

Geopolitical Developments

- Ukraine war intensity, NATO airspace incidents, and hybrid-warfare warnings kept headline risk elevated.
- China's slower industrial pulse and great-power signaling added to supply-chain and trade-policy uncertainty. However, not all China PMIs agree: Official manufacturing stayed <50, but a private survey stayed >50—signaling pockets of resilience and a less uniform slowdown than headlines suggest.
- Energy security remained a swing factor as OPEC strategy and disciplined US shale spending influenced price volatility.

Source: Zephyr StyleAdvisor, WSJ, FTimes, The Economist & SAA

REVIEW - UST Yield Curve & Expectations



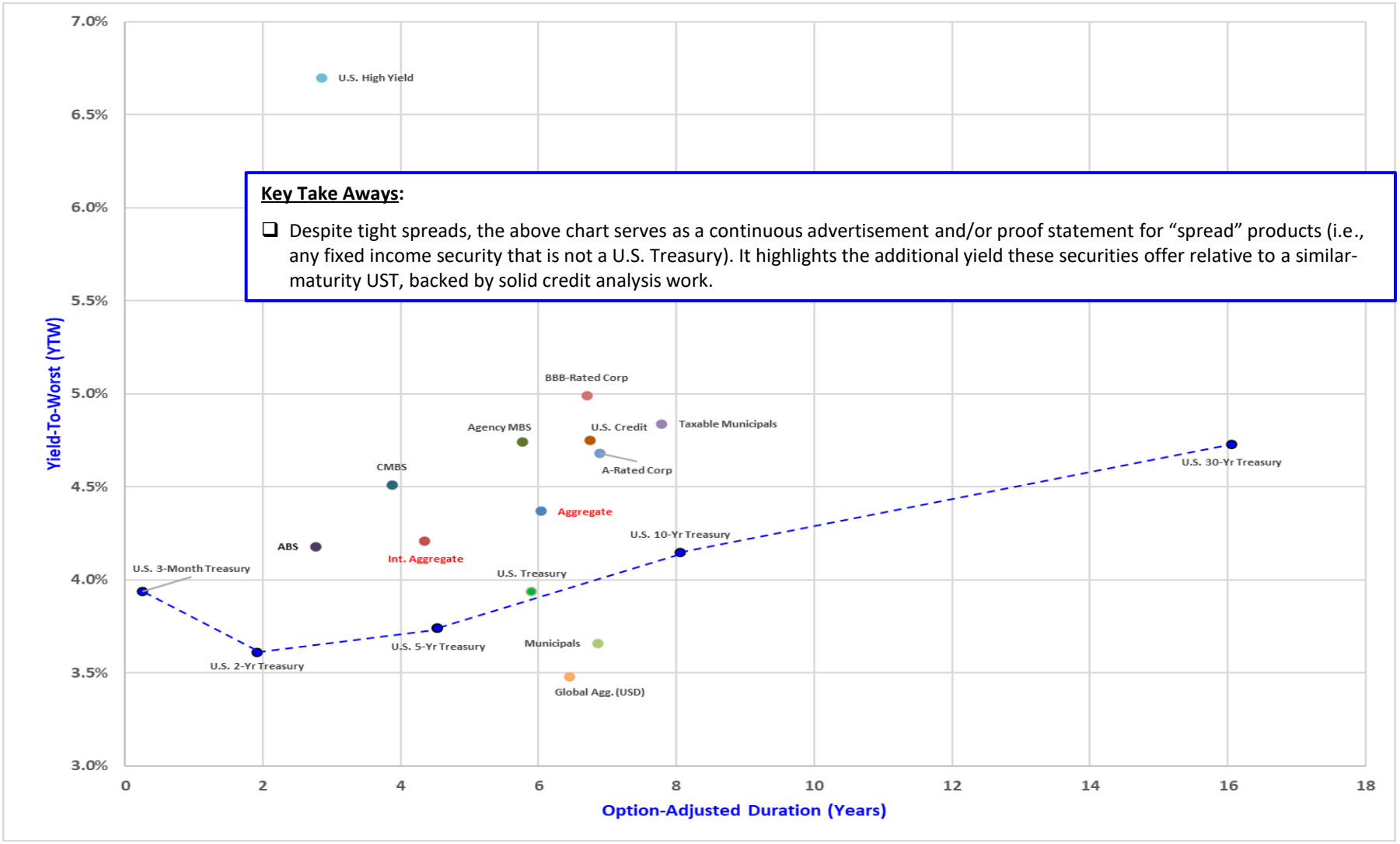
Index YTW	9/30/2025	CHG from Prior Month	CHG from Prior Year-End	CHG from Fiscal YE (6/30)	CHG from 12/31/2023
3-Month	3.94%	-0.20%	-0.39%	-0.35%	-1.34%
2-Yr	3.61%	0.00%	-0.64%	-0.11%	-0.64%
5-Yr	3.74%	0.05%	-0.65%	-0.05%	-0.09%
10-Yr	4.15%	-0.07%	-0.43%	-0.08%	0.29%
30-Yr	4.73%	-0.19%	-0.05%	-0.05%	0.71%

Key Take Aways:

- In September, the Fed's decision to cut rates helped steady markets and nudged bond yields lower across most maturities. The two-year Treasury held near 3.6% while the ten-year eased to about 4.15%, leaving the yield curve only slightly flatter and signaling that investors expect gradual, not dramatic, rate cuts ahead. Credit markets stayed calm as borrowing costs fell and investors grew more comfortable taking risk, with high-yield spreads near their lowest levels of the year. These shifts supported broad gains—core bonds rose about 2% for the quarter, stocks extended their advance, and gold climbed as investors continued to hedge against uncertainty. Altogether, September closed with cautious optimism: markets are betting the economy can slow gently rather than stumble, and current yields still offer reasonable rewards for staying patient if growth cools further.

Source: Bloomberg

REVIEW – Average Yield & Duration, By Fixed Income Sector



Key Take Aways:

- ❑ Despite tight spreads, the above chart serves as a continuous advertisement and/or proof statement for "spread" products (i.e., any fixed income security that is not a U.S. Treasury). It highlights the additional yield these securities offer relative to a similar-maturity UST, backed by solid credit analysis work.

Source: Bloomberg as of 9/30/2025

OUTLOOK

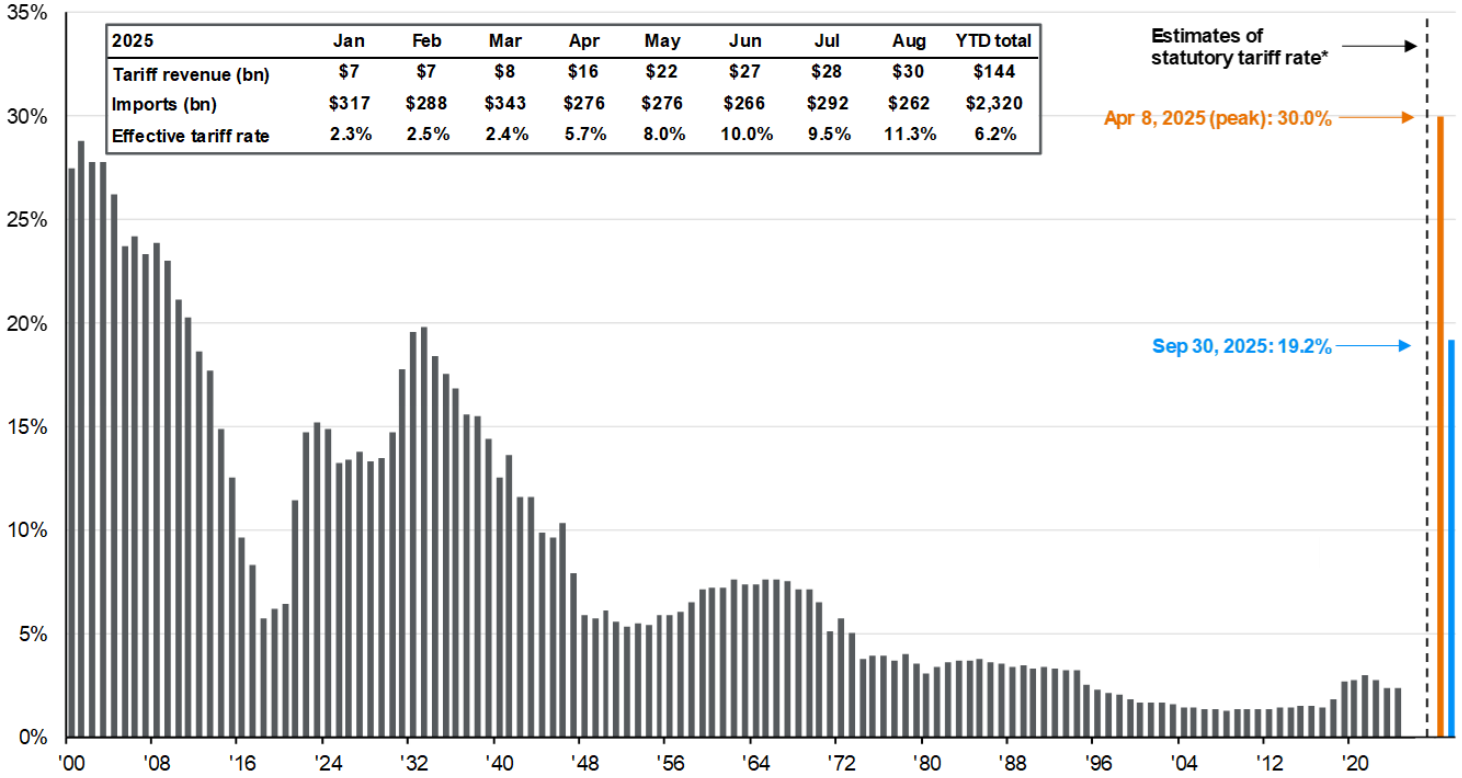
Outlook Summary

- *The U.S. economy is still growing, but not all parts are moving the same way. Recent GDP looks solid, but part of it reflects timing quirks—companies pulling forward imports and stockpiling around tariff changes—so trade and inventories may add now and subtract later..*
- *Hiring has cooled from last year, so many companies are getting more done with the same number of people by investing in new tools, including artificial intelligence (AI).*
- *Households still feel squeezed because everyday costs—rent, food, and insurance—have risen faster than the official inflation rate.*
- *Policy choices also matter: taxes on imports ("tariffs") can push some prices up, even if the effect has been modest so far.*
- *In the stock market, a small group of very large, tech-focused companies has powered most of the gains.*
- *Putting all this together argues for patience and balance:*
    1) *keep in mind of the investment horizon,*
    2) *balance investment horizon with the capacity to absorb short-term investment market volatility,*
    3) *own a mix of investments,*
    4) *avoid chasing and obsessing over headlines.*

OUTLOOK – Tariffs on U.S. Imports

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption, 1900 - 2024



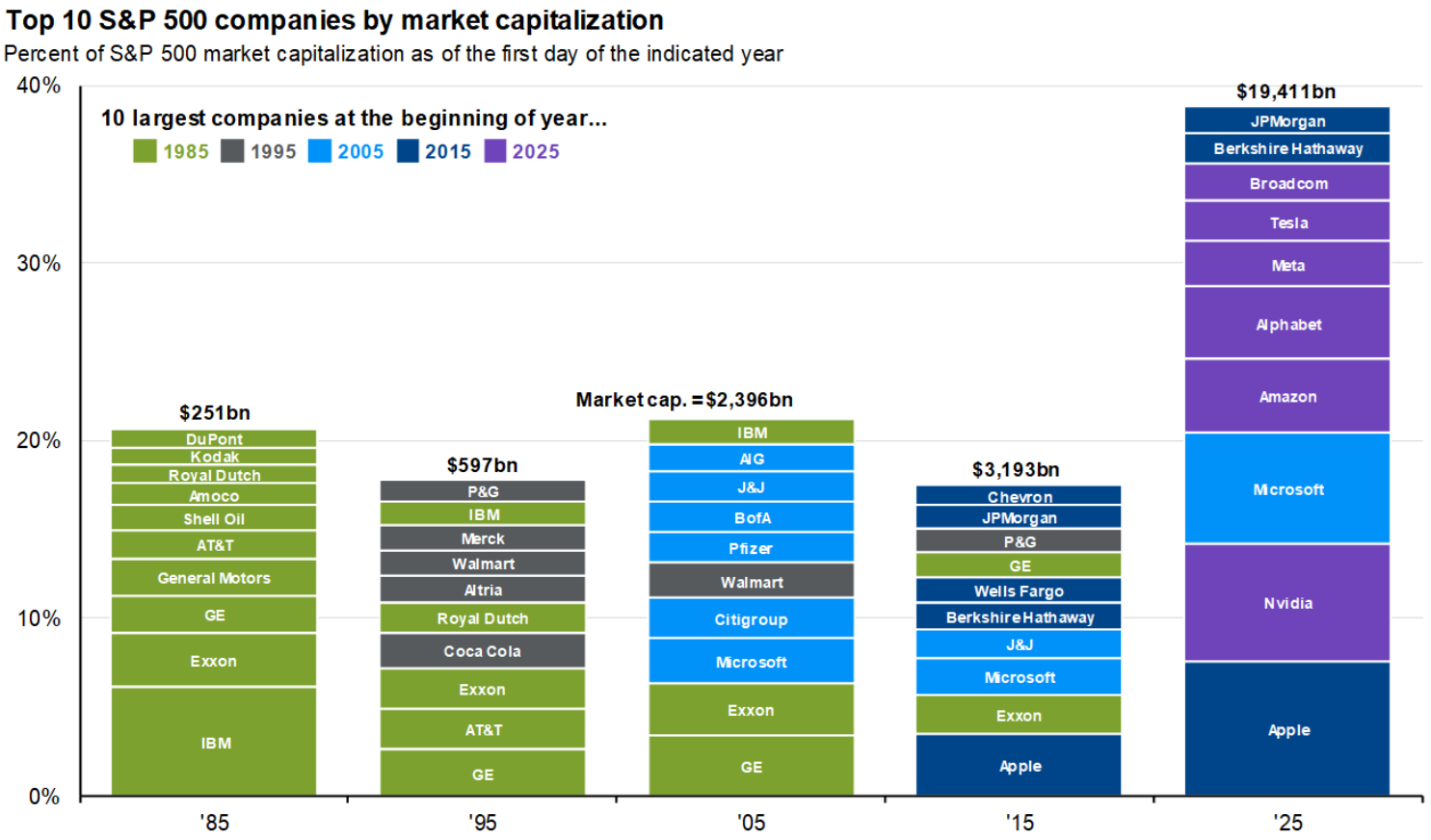
2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	YTD total
Tariff revenue (bn)	$7	$7	$8	$16	$22	$27	$28	$30	$144
Imports (bn)	$317	$288	$343	$276	$276	$266	$292	$262	$2,320
Effective tariff rate	2.3%	2.5%	2.4%	5.7%	8.0%	10.0%	9.5%	11.3%	6.2%

Key Take Aways:

- Tariff policy is volatile, but actual burden is smaller than the headline. The sharp drop from the 30% peak to 19.2% and the much lower 6.2% effective rate show that rule changes and carve-outs materially dilute the headline tariff stance.
- Even with carve-outs, the effective burden is historically elevated. At 6.2%, import duties are back to levels last seen decades ago on this chart—meaning a persistent headwind to import-heavy sectors and a mild upside risk to goods price.
- Forward Looking Thoughts:
  - The biggest downside risk is narrowing of the gap between statutory and effective rates—e.g., if exclusions lapse, enforcement tightens, or the import mix shifts toward tariffed categories. Any convergence toward the ~19% statutory level would push the effective rate higher from 6.2%, pressuring retailer margins, slowing import volumes, and complicating the disinflation trend. Conversely, if current carve-outs are extended, the effective rate likely stays near mid-single digits even with headline volatility.

Source: U.S. Census Bureau, U.S. Department of Treasury, U.S. International Trade Commission, J.P. Morgan Asset Management.
For illustrative purposes only. The estimated weighted average statutory U.S. tariff rate includes all tariffs that are currently in effect, not announced. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Tariff revenue shown are figures from the Monthly Treasury Statement. Import figures included in the table are from the U.S. Census Bureau.. Estimates, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of September 30, 2025.

OUTLOOK – S&P 500 Companies: Top 10 by Decade



Key Take Aways:

- The U.S. stock market in 2025 is more concentrated than at any point in modern history. Nearly 40% of the S&P 500's total value now sits in just ten companies, most of them technology giants like Apple, Microsoft, Nvidia, and Amazon. This marks a dramatic shift from prior decades when industrial, energy, and manufacturing names such as GE, Exxon, and DuPont dominated the index. While the mix today highlights the U.S.'s strength in innovation and digital infrastructure, it also means a smaller group of firms has an outsized influence on overall market performance. Financial mainstays like JPMorgan and Berkshire Hathaway provide some balance, but the market's center of gravity has clearly moved toward technology and intellectual property leadership.

Forward-Looking Thoughts:

- **PROs:** 1) High reinvestment in innovation, productivity, and AI-enabled efficiency could sustain above-average earnings growth and U.S. market leadership over the medium term; 2) Concentrated leadership in capital-light, high-margin industries supports strong free cash flow, dividends, and continued share buybacks.
- **CONS:** 1) Heightened concentration increases vulnerability to valuation corrections, regulatory actions, and technological disruption; 2) Portfolios tracking broad U.S. benchmarks may face reduced diversification and greater volatility, warranting deliberate balancing across sectors, regions, and styles.

Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management.
Companies are organized from highest weight at the bottom to lowest weight at the top. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of September 30, 2025.

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    - *Not all variables going into the calculation of these values are available within the NAIC annual statement. This model seeks to provide a 1-size-fits-all automated calculation, and will result in differences from the NAIC calculation instructions and what was reported to the state departments of insurance."*
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ABOUT SAA

Who We Are: Strategic Asset Alliance

An Independent Investment Consulting Firm

Founded in 1994, Only Serving
Insurance Organizations and Governmental Risk Pools

Location:

Headquartered in Bellingham, WA, with an Office in Maine.

Staff:

Staff of six, including one CEO, one Managing Director and two Directors.

Clients:

- Governmental Risk Pools & JPAs
- Commercial P&C
- Commercial Life
- Commercial Health
- Captives

35* Insurance Co. Clients

$12.6B* Assets Under Advisement

*As of 9/30/25

Who We Are: SAA Principals

Alton Cogert
President & CEO

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Email: acogert@saai.com

Mr. Cogert founded Strategic Asset Alliance in 1994.

Previously, he has served as a technical advisor to the NAIC Invested Assets Working Group. He is a former member of the Board of Directors and former chairman of the Investment Committee of the National Alliance of Life Companies.

Daniel Smereck
Managing Director & Principal

Phone: (207) 706-9288
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Since joining SAA in 2003, he has collaborated with boards and senior leadership to develop and refine risk-appropriate investment strategies that drive stronger financial outcomes.

Prior to joining SAA, Mr. Smereck was Chief Investment/Information Officer for a large, regional medical malpractice insurer

Who We Are: SAA Directors

Lucy Rimsky
Director, Investment Consultant

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Ms. Rimsky joined SAA in 2024.

Ms. Rimsky has more than 25 years of investment experience, including institutional clients in healthcare, insurance, and other public and corporate areas. Prior to joining SAA, Ms. Rimsky was a Senior Research Analyst with US Institutional focusing on insurance clients.

Nathan Simon
Director, Investment Consultant

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Mr. Simon has been with SAA since 2013.

Prior to being named Director, Mr. Simon was responsible for assisting with all investment manager research and evaluation, strategic asset allocation, and other investment modeling conducted for SAA's clients.

What Services Do You Receive?

Summary of Deliverables

SWOT Analysis	Initial SWOT Analysis of the investment process, providing blueprint and priority ranking for improvement
Asset Allocation	Advice on the current investment asset allocation and risk profiles, subject to current insurance regulations
Policy Review	Review, consultation and recommendations about the client's investment policy and guidelines
Benchmarking	Advice on establishing benchmarks for the various investment managers
Ongoing Monitoring	Ongoing monitoring of investment portfolio holdings and risks
Manager Evaluation	Review, consultation and recommendations about the performance of the investment managers
Performance Reviews	Performance reporting and monthly/quarterly review with management
On-site Attendance	Attendance and performance reporting at Finance/Investment Committee meetings
Manager Selection	Recommendations and assistance in selecting outside investment managers, when/if necessary.
Peer Analysis	Development of an annual peer group analysis
Ad Hoc Analysis	Ad hoc investment related analysis as necessary