GWM GREENE WEALTH MANAGEMENT

Your Journey Towards Financial Independence Begins Here

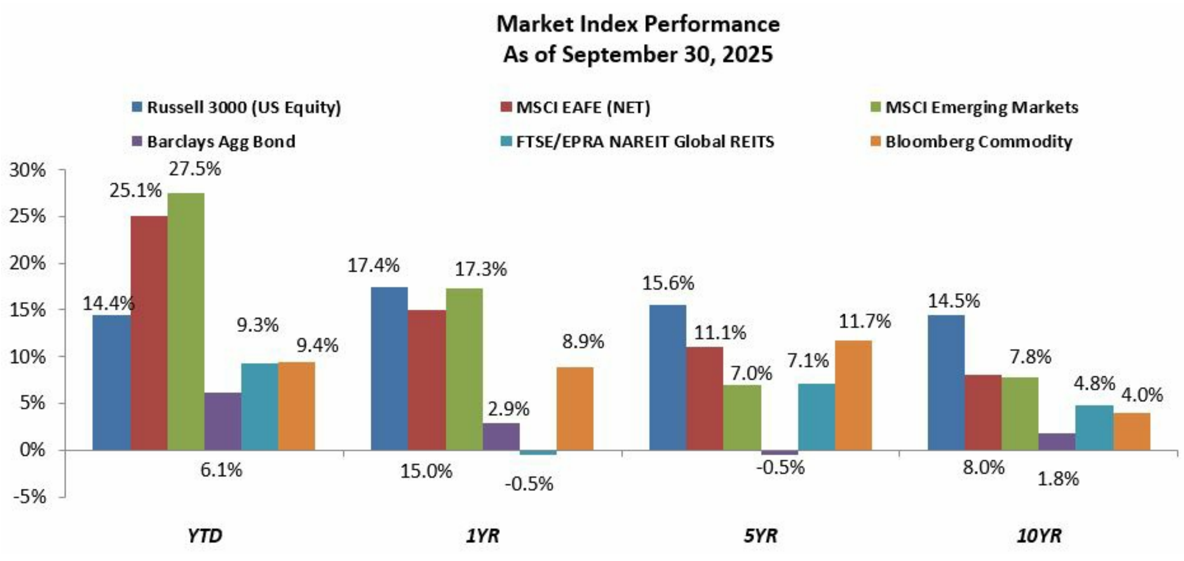
4Q 2025 - GWM Quarterly Letter

As we enter the final quarter of 2025, the economic landscape reflects a period of transition rather than turmoil. Growth is moderating, inflation is easing, and financial markets continue to adjust to an environment of higher - but stabilizing - interest rates. The global economy stands at a pivotal point between late-cycle moderation and renewed optimism.

Domestic economic growth remains positive albeit at a slower pace supported by resilient consumer spending, improving supply chains, and steady business investment in technology and infrastructure. Meanwhile, many developed economies are navigating the balance between sustaining growth and normalizing fiscal policy, while emerging markets have benefitted from capital inflows and renewed commodity demand.

The global backdrop remains complex - administrative policy, trade relations, and geopolitical tensions all continue to influence sentiment - but the overarching trend is one of gradual normalization. For long-term investors, this period offers both challenges and opportunities as markets adjust to a more balanced and sustainable growth environment.

Among asset classes, developed non-US equities are leading year-to-date performers, with the MSCI EAFE rising 25% YTD, while the US equity market is broadly up 14% YTD. Meanwhile, US bonds are up 6% with shifting expectations around tariffs and fiscal policy.



As we move into the 4th quarter, markets are likely to be shaped by several key factors: The Federal Reserve's next policy steps, the pace of disinflation, evolving fiscal and administrative priorities, and the global geopolitical backdrop. Below are some of the key market and economic considerations we are tracking closely into year-end:

- **Federal Reserve Nearing a Policy Pivot Point -** The Fed remains focused on achieving a lasting balance between price stability and growth. Markets have priced in moderate interest rate cuts through the end of the year and into early 2026, provided inflation continues to moderate and labor conditions remain stable.

- **Inflation Gradually Easing -** Inflation continues to move in the right direction. Goods prices have largely stabilized, and while services and wage inflation remain somewhat elevated, the overall trend is one of improvement. This progress has supported the Federal Reserve to begin its shift in policy towards rate reductions.

- **Corporate Earnings Resilience -** Despite slower economic growth, corporate earnings have been broadly stable, reflecting solid balance sheets and improved productivity. Analysts expect modest earnings growth in 2026, led by technology, healthcare, and select industrial sectors.

- **Administrative Policy and Regulation -** Policy uncertainty remains a near-term variable for markets. Trade tariffs, corporate tax policy discussions, and energy regulation could influence business investment and sector performance over the next year. Election-year dynamics in 2026 may also add short-term volatility as investors assess potential policy outcomes.

- **Geopolitical Developments -** Ongoing global conflicts and shifting alliances continue to affect commodity prices, supply chains, and investor sentiment. While direct market impacts have been limited so far, renewed tensions in energy-producing regions or major trade routes could lead to temporary spikes in volatility.

- **Evolving Market Leadership -** International stocks have outperformed US stocks considerably throughout 2025, the first meaningful change in market leadership we have experienced in years. Even after this rally, international stocks continue to trade at a discount to the US market, with compelling fundamentals that might drive a continued period of outperformance. GWM clients have benefited from this outperformance as globally-diversified investors.

- **Technological Advancements and Opportunities -** AI enthusiasm has helped propel US equity markets higher; however, performance has outpaced earnings growth – leaving valuations at a meaningful premium to the rest of the market. The "AI Supercycle," could result in a boom-or-bust for US Mega-cap stocks at current levels, accentuating the value of a diversified approach to risk assets.

We continue to view this as an environment favoring discipline and diversification. The most likely economic path remains a 'soft landing' - moderate growth and gradually declining inflation. As always, we remain focused on maintaining diversified portfolios aligned with your goals, risk tolerance, and time horizon.

We are encouraged that clients continue to stay on track for long-term objectives. Please never hesitate to let us know how we can support you during this time and be the best partner we can in achieving your most meaningful goals. We will be in touch as we continue to navigate the everchanging landscape of the world and how it might impact our clients.

Wishing everyone a great balance of the year as we move towards the holiday season!

Quick Note - Portfolio Rebalancing

Strong market performance over the course of 2025 combined with our best thoughts in portfolio construction have prompted an upcoming rebalance. This month you will see a moderate rebalance in retirement accounts held at Schwab (non-retirement accounts and retirement accounts held away will not be impacted). This rebalance will bring all retirement accounts into balance with long-term strategic portfolio targets. In practice, the rebalance will serve 2 primary purposes: 1. Reduce some exposure to risk assets (stocks) by pivoting some winnings from stocks to bonds - aligning with long-term portfolio targets. 2. Sell out of the Public REITS position - Public REITS are now a part of regular stock indices, eliminating the need for a concentrated Public REITS allocation (this will maintain a market-weight position to Public REITS in the portfolio). Proceeds will be used to support rebalancing the portfolio to targets.

As a reminder, rebalancing within retirement accounts causes NO tax impact or other meaningful impact from an administrative perspective.

We anticipate this moderate rebalance will take place the week of October 20th. We will be revisiting portfolio rebalancing in January to assure all accounts best align with long-term targets at the outset of the new year.

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