

A Look Back...3rd Quarter 2025

We call our quarterly review “A Look Back” to remind our readers that is all it is – backward looking. While it is important to keep tabs on what your portfolio is doing, it is equally important to ignore short-term results. Keep focused on the long-term goals of your portfolio and whether it is achieving them.

The Markets

During the third quarter of 2025, stocks continued to build on the strong rebound started in the prior quarter. Investors climbed a wall of worry as the Trump administration’s tariffs began to have negative effects. Inflation numbers spiked and companies slowed hiring as their costs rose. The latter eventually worked its way into the employment data and that caused some concern. But, as usual, the Federal Reserve came to the rescue. After holding tight in their position that inflation was too high to cut their benchmark rate, the central bank began to pivot. Chairman Powell indicated that a weakening of the jobs picture may warrant a cut and they delivered at their mid-September meeting. They also indicated there could be two more cuts coming later this year. That put investors in a good mood and all geographies finished the quarter with solid returns, led by Emerging Markets. Global fixed income, as measured by the Bloomberg Barclays Global Aggregate Index, also rose for the quarter.



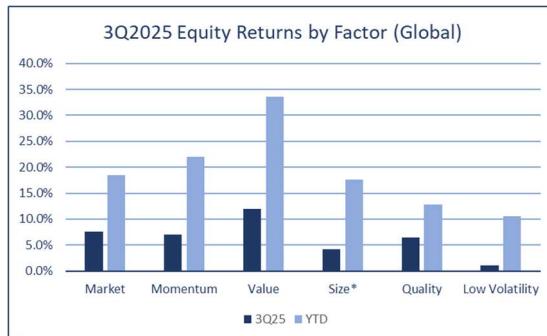
Source: Morningstar; As of 9/30/2025

Outlook

As of this writing, the fourth quarter has already started off with fireworks. As expected, October saw the beginning of a government shutdown, that is still ongoing. This has led to some concerns about the employment picture, which was already weakening before government furloughs and layoffs. To add insult to injury, President Trump announced that he would impose new 100% tariffs on China as that trade war has escalated (he has since backed off and talks are ongoing). And for good measure, some regional banks announced larger-than-expected credit losses, which sparked fears of the 2023 Silicon Valley Bank debacle all over again. On a brighter note, US corporate earnings have so far been quite positive and investors are hoping for more of the same. That will continue to be the focus in the near-term and expectations are for continued strong results as, despite the softer jobs picture, consumers have not shown signs of curbing spending. While that may yet happen, recall that earnings are backward looking and consumers were strong over the summer. Commingled with that and beyond, investors will be watching closely for what the Federal Reserve will do – they have two more rate announcements this year: October 29th and December 9th. While much data is missing due to the shutdown, they are expected to at least have the Consumer Price Index report for September before October 29th. From there, hopes are that the shutdown will be resolved soon, so that they can have a full slate of data.

The Factors

It was a soft quarter for the factors as only Value outperformed the broader MSCI All Country World Index (ACWI), although it did so by a wide margin. Momentum's return was in-line with the index. Year-to-date, Value and Momentum remain solidly ahead. However, the Metric all-stock model portfolio remains behind the index for the year as we have a strong overweight to the US, which has lagged International by quite a bit in 2025. For the 1- and 3-year periods, we are still even to slightly ahead of the market net of fees.



Source: Morningstar; As of 9/30/2025

The Long-Term Record

While factors can be cyclical in that they will go through periods of doing better and worse than a simple market index like the MSCI ACWI, the long-term track record is clear as shown below. Although some of the record includes back-tested returns (i.e. before the indexes were actually created), the methodologies (how they screen for stocks) remain consistent. We include for full disclosure the inception dates of all indexes.



Source: Morningstar; As of 9/30/2025

Global Stocks = MSCI ACWI NR USD Index (Inception: 1/1/01)

Global Momentum = MSCI ACWI Momentum NR USD Index (Inception: 11/30/95)

Global Value = MSCI ACWI Enhanced Value NR USD Index (Inception: 5/29/15)

Global Quality = MSCI ACWI Quality NR USD Index (Inception: 5/29/92)

Global Low Vol = MSCI ACWI Minimum Volatility (USD) NR USD Index (Inception: 5/28/93)

Global Size = MSCI ACWI Risk Weighted NR USD Index (Inception: 4/6/11)



Disclosures

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal the corresponding indicated performance level(s). Moreover, you should not assume that any of the above content serves as the receipt of, or as a substitute for, personalized investment advice from Metric Financial. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and, unless otherwise noted, do not reflect the deduction of transaction, custodial, or investment management fees, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings do or will correspond directly to any comparative indices. Investing involves risk, including loss of principal.

The Factors

Momentum: Data suggests that stocks that have outperformed recently may continue to do so in the near-term.

Value: Data suggests that relatively cheap stocks may outperform more expensive ones over time.

Size: Data suggests that smaller company stocks may outperform those of larger ones over time.

Quality: Data suggests that stocks of high quality companies may outperform those of lesser quality over time.

Low Volatility: Data suggests that low volatility stocks may outperform on a risk-adjusted basis over time.