Dear xxxx;

In 1967 Dr Jerry Buss purchased the Los Angeles Lakers for $67 million. Recently, his family sold 85% of the team at a $10 billion valuation. This equates to an annual gain of 10.5% for 58 years. If they had instead purchased an S&P 500 index fund, they would have earned 11.5% annualized or an additional $3 billion. While it is impossible to predict the future, the last ~60 years have proven that the US is a good place to invest. That hypothesis continued throughout the third quarter of 2025. During the last three months the S&P 500 rose by 7.8%, more than three times the average quarterly return of 2.8%.

During the third quarter all the benchmark indices we track moved higher. US equities (Q: +7.92%), international equities (Q: +6.69%), commodities (Q: +4.07%), and US fixed income (Q: +2.03%) all delivered larger than average gains. While some market participants have expressed concern about the US economic and political landscape, aside from a few days in April, these worries have not yet impacted the global markets. In fact, the S&P 500 hit 27 new record highs in the last three months. This letter will provide an analysis of the major geopolitical, financial, and thematic events that shaped the third quarter and our thoughts on the remainder of 2025 and beyond.

Tariffs

ReedSmith has compiled a comprehensive list of implemented and threatened tariffs which include detailed explanations and any countermeasures taken by the target country. As we've previously explained, tariffs are a tax on the buyer of goods. In our last quarterly newsletter, we predicted US rate of inflation would rise due to these tariffs. As of August 31st, the latest date for which we have data, the current US core inflation rate is 3.1%, or 0.3% above the rate before Trump's April 2nd "Liberation Day." While a gain of 0.3% sounds small, it equates to an increase of 10.7% over last quarter. This is significantly less than the average 18% US tariff rate. This means that on average, companies have raised prices by about 10%, but they have also eaten 40% of the total cost of the tariffs.

While President Trump is continuing to release new tariffs, a series of recent court decisions are challenging the legality of the President's authority to implement those tariffs. The Supreme Court will be hearing the appeal of this case in November. As the lower courts have ruled against the President, Cantor Fitzgerald, the company owned by the Secretary of The Treasury, has been purchasing the rights to potential tariff rebates. Should the Supreme Court side with the lower courts and agree the tariffs are illegal, the Secretary of The Treasury and his family will be the real winners. If the tariffs are ultimately deemed illegal, their eradication will likely lead to lower inflation, additional jobs, and greater economic stability for the US.

Federal Reserve Rate Changes & Independence

President Woodrow Wilson created the Federal Reserve in 1913 to address recurring financial panics and to create a more flexible and stable financial system. The Board of Governors oversees the operations of the 12 Federal Reserve Banks, conducts monetary policy, and supervises and regulates US banking institutions. The Board of Governors was designed to be politically independent with its funding coming not from Congress but from its holdings of marketable securities. The independence of our central bank ensures long-term economic stability.

President Trump believes the Federal Reserve like other government agencies should be under the control of the executive branch. After threatening to terminate Powell and other governors in the first half of the year, he doubled down in the third quarter by taking steps to prosecute and fire Fed Governor Lisa Cook. Cook remains a board member as her case has risen to the Supreme Court for review. As a board member, she voted in line with all but one governor to lower rates in September by 0.25%. If Trump successfully fires Cook, we expect a sizable negative market shock.

Jobs Reports & The Bureau of Labor Statistics (BLS)

The U.S. Bureau of Labor Statistics (BLS) was created in 1884 to provide information on labor conditions and earnings. It has since evolved and is now responsible for collecting, analyzing, and publishing data on labor market conditions, working conditions, and price changes in the economy. Its key functions include tracking employment and unemployment rates, calculating the Consumer Price Index (CPI) and Producer Price Index (PP), and providing insights into wage levels and productivity. Essentially every professional investor and advisor relies on these metrics to guide their investment decisions.

On August 1st, after releasing a disappointing jobs report, President Trump fired BLS Commissioner, Erika McEntarfer. After this restructuring, the BLS delayed the annual consumer expectations data filing, a key annual report central to future inflation data, from September 23rd to October 30th. There is a fear that this firing coupled with other earlier firings by DOGE have severely limited the ability for The BLS to disseminate reliable data in a timely manner.

AI Drives Market Growth

Artificial Intelligence (AI) continues to be the main driver of the outstanding ongoing growth in the global equity markets. NVIDIA has maintained its dominance, hitting a market cap of $4 trillion during the third quarter. Corporate earnings calls across the S&P 500 have shed light on current and projected AI related expenses and revenues, all of which paint the picture of a fast-growing industry with no signs of abatement. When any new technology causes this type of market performance, the word, “bubble” always emerges. The AI industry today shares a lot of similarities with the technology bubble of the late 1990s. We believe there is value in AI, but we are also concerned whether there is enough current and/or future profitability to account for the $1 trillion of annual AI related expenses. If 2026 brings a pullback, we expect the AI names to fall harder and faster than their peers.

Real Estate

The lack of residential real estate transactions in the US is masking a tremendous problem. Sellers won’t sell because their homes are owned at sub 3% mortgages and buyers can’t buy because the high mortgage rates would make their monthly payments unaffordable. There are 500,000 more sellers than buyers. While lower rates will bring more buyers to the table, these buyers will focus on new homes until a point at which older homes get significantly more affordable. Unfortunately, online listing sites like Zillow have led individuals to believe their homes are worth substantially more than anyone is willing to pay. Typically, individuals use these price estimates to determine both their net worth and their spending ability. Once these "Zestimates" normalize, we expect consumer spending to decrease, causing a negative shock to the consumer-focused sectors of the US stock market.

Commodities

Oil is one of the worst performing sectors this year. The price of a barrel of oil is down 3.7% in the last quarter and almost 10% in 2025. Oil prices are down for a few reasons: trade wars have increased uncertainty causing a drop in forecasted demand, tariffs on industrial metals have raised costs for oil producers, and the ongoing growth in electric vehicle (EV) adoption is reducing demand for gasoline. We couldn't foresee the first two reasons, but due to the uptick in EV sales, last year we began trimming our oil and gas holdings in favor of other commodities like uranium, silver, and gold. These three metals and their miners have outperformed almost everything this year. The reasons for these gains are different and interesting.

Uranium produces cheap clean energy that the AI industry needs to power their data centers. In August, it was announced that AI companies have committed $10b toward the creation of small modular reactors (SMR) for these data centers. Uranium miners are up 100% since their April lows while the physical metal is up 60%.

Gold is the only true hedge to the market uncertainty and 2025 has been full of uncertainty. While gold has increased by more than 30% this year, gold miners have increased by 115%. The many actions taken by the US executive branch have driven gold to 10 record highs in the last three months.

Since 2000, gold has on average traded at 65x of the value of silver. Prior to Liberation Day, silver was trading at about 90x the value of gold. This ratio increased to 102x after gold shot up on the heels of Liberation Day. The market outperformance of silver in the third quarter is due to this ratio decreasing from 102x to 85x while at the same time gold has continued to rally. Looking at the last nine months, silver has increased by 56% while silver miners have risen by 115%.

Conclusion

Within the US, the fourth quarter is on average the best performing quarter. The rallies seen during the last six weeks of the year are called Santa Claus rallies. Should the forecasted Federal Funds interest rate cuts materialize, they will more than likely continue to push the stock market higher through the end of 2025.

We believe there will be a global pullback in early 2026 largely due to the market's stellar performance in 2025. This drawdown will be short-lived as large tax refunds payable to high-net-worth individuals in the second and third quarters of 2026 will pump fresh capital into the economy. We foresee the S&P 500 reaching new all-time highs by the end of 2026.

APPENDIX

Diversification

As you know, GA Pincus Funds uses a proprietary algorithm embedded within custom software to deliver tax-adjusted returns that aim to outperform your blended benchmark. We aim to use a broad set of asset classes so that each of your portfolios represents the global stock, bond, and commodity markets. Each year there will always be a best performing asset class and a worst performing asset class. Diversification ensures stability since your portfolios own a blend of the global market. Part of our investment strategy involves shifting portfolio weightings to minimize the exposure to the underperforming asset classes while maximizing exposure to the stronger asset classes. We will continue to monitor the changing ETF landscape to further diversify each of your portfolios when it is applicable.

Client Referral Network

One of the oldest and most successful methods to grow a business is through word of mouth. GA Pincus Funds has been fortunate and has grown substantially due to referrals made by you and your fellow clients. We would like to use our future quarterly newsletters to return the favor to our clients. We plan to dedicate a section of our newsletters to our client's businesses. Rather than list your name or company name, we will instead indicate the category of business and location where you operate. For example, Real Estate Professional in Chicago, or Employment Lawyer in Georgia, or Public Relations Professional in New York, etc. If you would like to participate in this program, please let us know. This referral program is **free marketing** for your business. **We will not accept payments for these referrals.**

Performance Calculations

The performance of your accounts is calculated daily, taking into consideration daily deposits and withdrawals, and those daily returns are combined to form your quarterly, YTD, and since inception returns. When we round off this enhanced precision it may shift your performance by 0.01-0.02% when compared to the calculation ((end date value – start date value)/start date value). Please note, the performance figures in your statement are accurate and are GIPS (Global Investment Performance Standards) compliant.

Exchange Traded Funds (ETFs) are required to distribute all excess cash, net income, and dividends received from their constituent companies to their shareholders annually. These distributions take the form of dividends. Many ETFs issue special dividends at the end of the year to ensure compliance with this rule. The amount of the dividend is removed from the ETF on x-date, and the shareholder receives the funds on the pay date. The x-date and the pay date can at times straddle New Year's Day. Please be aware, your full year returns on the statements we deliver may be slightly lower than the statements you receive from Schwab due to this nuance.

It is impossible to predict whether and by how much the market will increase or decrease. Our algorithm rebalances your accounts according to changes in the relative weightings of the securities you hold. As one security becomes too heavily weighted the algorithm sells shares in that security. Conversely, as one security becomes too lightly weighted, the algorithm purchases shares of that security. Instead of rebalancing based on time (as most managers do), this algorithm rebalances based on a securities' relative weighting in the portfolio. This gives GA Pincus Funds a long-term advantage. No matter what the market does in the future or has done in the past, if your time horizon is long enough (>1 year), this algorithm has proven itself to be successful.

Please stay safe and healthy. We are always available to answer any questions you may have.

Best regards,

Gabriel

GA Pincus Funds
Gabriel Pincus, President
1574 Woodberry Court
Brentwood, TN 37027

www.gapincusfunds.com
m: 917-597-1450
e: gabriel@gapincusfunds.com