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Quarterly Market Update

Q3 2025

Aptus Quarterly Market Update – Q3 2025



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3

Equity Markets Review

18

Fixed Income Markets Review

23

Important Topics of Discussion

35

The Good, The Bad, The Ugly

37

Asset Allocation

47

Aptus Impact Series





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Equity Markets Review

A Market in Review – Q3 2025

Life Certainly Looks Like Easy Street In the Equity Markets: It's always easier when the markets are going up. Equities have continued to press to all-time highs and long rates have continued lower. We find it difficult to poke too many holes in the bull case though we're not divorced from reality either. The market has had to endure some weakening macro reports, i.e., stickier inflation and a slowing jobs market. While the market appears to have shaken off this concern, on the heels of continued strength in the A.I. narrative.

Don't fight this market. This doesn't mean that the market won't have a pullback, as they are necessary and healthy, but research shows that the best time to own the market is when it is hitting new all-time-highs.

Stocks Have Bounced Back From the Tariff-Tantrum like a Prince crossover - Quick: Scaling back, the last ten months have produced some terrific outcomes across global equities, both domestic, developed, and emerging., In the U.S., that market has hit a new all-time-high 28 different times this year. In a world that feels like a mess to many right now, remember that the market is a forward-looking mechanism. More precisely, the story is this: the YTD return of S&P is 14.8%. Almost 54% of that has been driven by earnings, while 38% has come from the multiple, and 8% from dividends. Along this path, US 10-year real rates have fallen from 2.23% to 1.75%, which has supported equity valuation. From here, Many investors don't believe that valuation will be supportive of this market – and if they're correct – the burden of proof is on U.S. Corporations to keep delivering.

Moving Forward, Investors Need to Keep "Shooting" the J": As long as earnings are growing, which they are, and as long as both monetary and fiscal policy are on the market's side, the burden of proof will remain with the bears. Where all this leads it that we are still in a bull market – don't fight it – but that doesn't mean chase it. It appears that the market is entering a period where it can see a moderation of the hard economic data, but not enough to warrant a recession. If markets price in deeper rate cuts off the back of this, then this will only serve to ease financial conditions further. Meanwhile, the forward-looking sentiment data should continue to improve with economic tail risks diminishing and expansionary fiscal policy on the horizon. This, combined with continued AI-driven investment and innovation should continue to support risk assets once we move beyond the current geopolitical tensions. We may be headed into a goldilocks end to the with both bond and equity markets performing well.



Source: S&P, Aptus as of 9.30.25

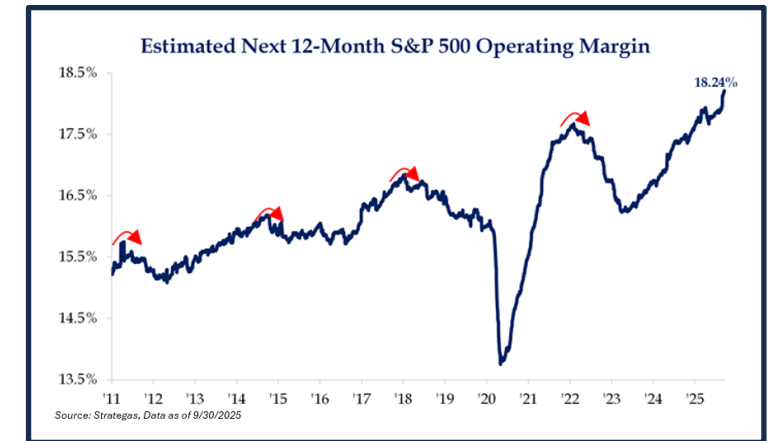
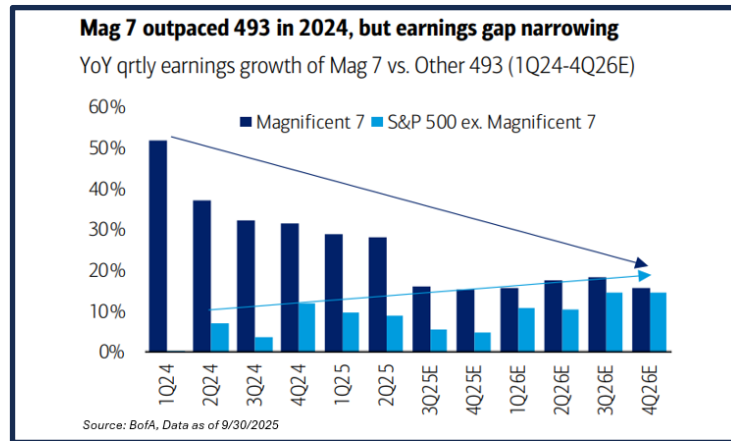
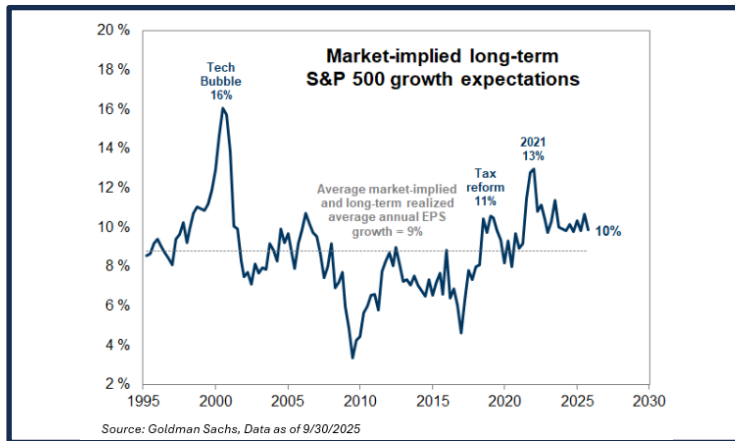
	1M	QTD	YTD	1-YR	3-YR	5-YR	10-YR
S&P 500	3.64%	8.11%	14.81%	17.56%	24.91%	16.45%	15.29%
NASDAQ	5.47%	9.01%	18.10%	23.93%	32.10%	17.59%	20.57%
Dow Jones Industrial Average	2.00%	5.67%	10.47%	11.50%	19.63%	12.98%	13.50%
S&P 500 Average Stock	1.01%	4.83%	9.68%	7.66%	16.16%	13.75%	11.83%
MSCI EAFE	1.96%	4.87%	25.83%	15.69%	22.47%	11.86%	8.86%
MSCI EM	7.17%	10.92%	28.17%	18.12%	18.77%	7.47%	8.44%
Bloomberg US Agg Index	1.09%	2.03%	6.13%	2.88%	4.93%	-0.45%	1.84%
U.S. Small Caps	3.18%	12.45%	10.36%	10.73%	15.12%	11.43%	9.71%
Investment Grade Bonds	1.88%	2.85%	7.50%	3.22%	7.42%	-0.08%	3.25%
High Yield Bonds	0.66%	2.27%	7.25%	7.42%	10.88%	5.23%	5.70%

Source: Bloomberg. Data as of 09/30/2025. Returns include Dividends. Returns over 1YR are Annualized.



Composition of Returns

The Known: Dividend Yield + **The Unknown:** Growth Rate +/- **Market Sentiment:** Valuation Change = **TOTAL RETURN**



Pullback Happened; Pullback Forgotten

Pullbacks are Normal...and Healthy. Markets Do Not Move in a Straight Line.

Perspective on This Year's Pullback – The Faster the Fall; the Faster the Rebound

- *Consumer Behavior is Simple* – people hate losses and have little patience for D.C. policies that might not contribute positively to stock market returns immediately.
- The almost 20% drop in the S&P 500 fits squarely within the range of typical market behavior, though painful; the market averages three pullbacks of 5% or more each year. These corrections are healthy, not alarming, and Q2 2025 showed that.
- Since 1928, the average annual drawdown has been 16%, yet year-end returns often remain positive. Volatility creates opportunity, and staying patient typically pays off.
- The last six times the S&P 500 experienced a 10% or greater decline, the index was higher one year later in every case. That historical pattern reinforces the value of discipline during temporary setbacks.

S&P 500 Index (1942 - Today)

Type of Decline	Avg. Frequency	Avg. Length	Last Occurance
-5% of More	About 3x Per Year	39 Days	April 2025
-10% of More	About Every 16x Months	128 Days	April 2025
-15% of More	About Every 3x Years	230 Days	April 2025
-20% of More	About Every 5.5x Years	330 Days	April 2025

Source: Aptus, Data as of 09/30/2025

All Bear Markets Start with a Correction, But Not all Corrections Turn into Bear Markets

- Since World War II, 40% of the time when the S&P 500 had a peak-to-trough decline greater than 20%, the economy went into a recession. **Let me say this differently, that means that 60% of the time, it did not.**
- It is also worth noting that the market has already endured three bear markets in the past few years. These were the two (plus a third) closest bear markets on record, based on the number of days between them:
 - February 19, 2020 to March 23, 2020: -33.79%
 - January 22, 2022 to October 12, 2022: -24.02%
 - February 19, 2025 to April 8th, 2025: -21.35%
- We believe that more left tails (bad) and right tails (good) will occur in the market moving forward; which will continue to test investors on a regular basis.

S&P 500 Index: Max Intra-Year Drawdown v. End of Year Total Return (1928 - 2025)														
Year	Drawdown	Total Return	Year	Drawdown	Total Return	Year	Drawdown	Total Return	Year	Drawdown	Total Return	Year	Drawdown	Total Return
1928	-10.3%	43.8%	1948	-13.5%	5.7%	1968	-9.3%	10.8%	1988	-7.6%	16.6%	2008	-48.8%	-37.0%
1929	-44.6%	-8.3%	1949	-13.2%	18.3%	1969	-16.0%	-8.2%	1989	-7.6%	31.7%	2009	-27.6%	26.5%
1930	-44.3%	-25.1%	1950	-14.0%	30.8%	1970	-25.9%	3.6%	1990	-19.9%	-3.1%	2010	-16.0%	15.1%
1931	-57.5%	-43.8%	1951	-8.1%	23.7%	1971	-13.9%	14.2%	1991	-5.7%	30.5%	2011	-19.4%	2.1%
1932	-51.0%	-8.6%	1952	-6.8%	18.2%	1972	-5.1%	18.8%	1992	-6.2%	7.6%	2012	-9.9%	16.0%
1933	-29.4%	50.0%	1953	-14.8%	-1.2%	1973	-23.4%	-14.3%	1993	-5.0%	10.1%	2013	-5.8%	32.4%
1934	-29.3%	-1.2%	1954	-4.4%	52.6%	1974	-37.6%	-25.9%	1994	-8.9%	1.3%	2014	-7.4%	13.7%
1935	-15.9%	46.7%	1955	-10.6%	32.6%	1975	-14.1%	37.0%	1995	-2.5%	37.6%	2015	-12.4%	1.4%
1936	-12.8%	31.9%	1956	-10.8%	7.4%	1976	-8.4%	23.8%	1996	-7.6%	23.0%	2016	-10.5%	12.0%
1937	-45.5%	-35.3%	1957	-20.7%	-10.5%	1977	-15.6%	-7.0%	1997	-10.8%	33.4%	2017	-2.8%	21.8%
1938	-28.9%	29.3%	1958	-4.4%	43.7%	1978	-13.6%	6.5%	1998	-19.3%	28.6%	2018	-19.8%	-4.4%
1939	-21.2%	-1.1%	1959	-9.2%	12.1%	1979	-10.2%	18.5%	1999	-12.1%	21.0%	2019	-6.8%	31.8%
1940	-29.6%	-10.7%	1960	-13.4%	0.3%	1980	-17.1%	31.7%	2000	-17.2%	-9.1%	2020	-33.9%	18.4%
1941	-22.9%	-12.8%	1961	-4.4%	26.6%	1981	-18.4%	-4.7%	2001	-29.7%	-11.9%	2021	-5.2%	28.7%
1942	-17.8%	19.2%	1962	-26.9%	-8.8%	1982	-16.6%	20.4%	2002	-33.8%	-22.1%	2022	-25.4%	-18.1%
1943	-13.1%	25.1%	1963	-6.5%	22.6%	1983	-6.9%	22.3%	2003	-14.1%	28.7%	2023	-10.3%	26.3%
1944	-6.9%	19.0%	1964	-3.5%	16.4%	1984	12.7%	6.1%	2004	-8.2%	10.9%	2024	-8.5%	25.0%
1945	-6.9%	35.8%	1965	-9.6%	12.4%	1985	-7.7%	31.2%	2005	-7.2%	4.9%	2025	-19.0%	14.8%
1946	-26.6%	-8.4%	1966	-22.2%	-10.0%	1986	-9.4%	18.5%	2006	-7.7%	15.8%			
1947	-14.7%	5.2%	1967	-6.6%	23.8%	1987	-33.5%	5.8%	2007	-10.1%	5.5%			

Source: Creative Planning, Aptus, Data as of 09/30/2025

The Relationship an Investor Has With Uncertainty Is In Direct Correlation to How Successful the Investor Will Become.



Why Did the Market Hit New All-Time Highs?

The Market Has Continued to Witness Stable Economic Data, a Slightly Dovish Shift from the Fed, a Decline in Geopolitical Risks Combined With Market Momentum to Push the S&P 500 to New All-Time Highs in Q3.

Why Did the S&P 500 Hit a New High?

- **Three Separate Forms of Economic Stimuli Hitting Economy and Markets:** Combining these, increases expectations for economic growth and corporate earnings sustainability.
 - In September, the Fed cut rates, but more importantly signaled that a rate-cutting cycle has started. That matters because it means monetary stimulus is now occurring, which is positive for the economy and, peripherally, risk assets.
 - Fiscal stimulus is occurring via the passage of the One Big Beautiful Bill, which solidified and boosted tax cuts, as well as unleashed billions in Federal dollars across various industries.
 - Private stimulus, meanwhile, is occurring through massive AI-linked capital expenditures from major tech companies such as META, MSFT, AMZN, ORCL and others (remember, these mega-cap tech firms could spend more than \$500 billion on AI infrastructure over the next two years!).
- **The Administration:** This may come to a surprise to many, given the administration's chaotic and aggressive tariff policy. And, undoubtedly, the way the administration operates is going to keep this market more volatile than it has been in recent years. But, while the reciprocal tariff announcement rightly shocked markets, since early April the administration has taken a series of actions to "step back" from the brink and the most important part of that is the market believes the administration will not pursue any policies that will materially hurt the economy. The markets have called this "TACO" – Trump Always Chickens Out - but that's an oversimplification. Instead, we believe Trump employs a negotiating strategy that involves threatening a near absurdity and then getting people to move in his direction (so the worst case doesn't happen, but he still exacts gains). In the end, the No. 1 reason the S&P 500 has returned to the February highs is because the market has confidence that the administration won't do anything to materially hurt the economy.

Why Did the S&P 500 Hit a New High (Cont.)?

- **Continued Artificial Intelligence ("AI") Enthusiasm:** In a repeat of 2023 and the majority of 2024, AI enthusiasm has again propelled the Tech sector to substantially outperform the rest of the market and that's pulled the S&P 500 to new highs. The DeepSeek drama from January created a buying opportunity in AI names, and in April as tariff reduction/exemption followed, it only benefitted those tech names more. So, once again, AI enthusiasm is a powerful force behind the new highs and tech, and tech-aligned sectors have done the heavy lifting in the Q2 rebound.

The S&P 500 Had One of the Best 5-Month Rallies...EVER = More Good Times?					
Date Above 30% in 5 Months	1 Month Later	3 Months Later	6 Months Later	12 Months Later	
3/3/1975	-0.7%	11.5%	4.6%	20.5%	
5/2/1975	4.1%	-1.4%	0.1%	13.9%	
2/1/1999	-3.6%	6.4%	4.3%	9.5%	
7/23/2009	5.1%	10.8%	11.8%	12.9%	
8/11/2020	0.2%	6.5%	17.3%	33.4%	
9/9/2025	?	?	?	?	
Average	1.0%	6.8%	7.6%	18.0%	
Median	0.2%	6.5%	4.6%	13.9%	
% Higher	60.0%	80.0%	100.0%	100.0%	
All Years Since 1950					
Average	0.7%	2.2%	4.5%	9.2%	
Median	1.0%	2.6%	4.9%	10.4%	
% Higher	60.7%	66.0%	70.1%	73.8%	

Source: Carson Group, Ryan Detrick, Data as of 9/30/2025



Underneath the Market's Hood

The Academically Bearish Investors Continue to be Wrong → Follow What the Market is Telling You

Volatility in Emotions; Volatility in Headlines

- The first half encountered a lot of volatility, including a 20%+ intraday collapse from 2/19/2025 – 04/08/2025. The intense market volatility was accompanied by scary headlines:
 - Recession predictions;
 - Stagflation fears stemming from tariffs;
 - War between Israel and Iran;
 - A potential fight between the Fed and the U.S. President;
 - No rate cuts; and
 - 145% Chinese tariffs.
- This has weighed on investors as sentiment metrics and consumer confidence levels plunged in the first half of 2025 and while they've recovered somewhat, these measures are still reflecting a nervous and anxious investor base. Coincidentally, this is actually a bullish signal, as the market continued to hit new highs towards the end of the quarter, with lower optimistic sentiment.

Major Indices & Maximum Drawdown				
Index	YTD Return	Index Return Since	Index Maximum	Average Member
		4/8/2025 Low	Drawdown from YTD High	Maximum Drawdown from YTD High
S&P 500	14.8%	35.1%	-16.0%	-24.0%
NASDAQ	18.1%	44.6%	-24.0%	-45.0%
Russell 2000	10.4%	39.2%	-24.0%	-38.0%
Dow Jones	10.5%	24.2%	-16.0%	-23.0%

Source: Charles Schwab, Bloomberg, Data as of 9/30/2025

But It Hasn't Been a Rising Tide Lift All Boats Environment (Surprisingly) = Dispersion City!

- Considering how strong returns had been coming into 2025 (recall that S&P generated back-to-back years of a Sharpe ratio > 2.0 for the first time since the mid-1970s) and considering how much has been thrown at market participants so far, investors should give the market a round of applause for bringing positive year-to-date. The S&P 500 has returned 14.7% year-to-date.
- Risk-adjusted returns have been lower than normal across other major U.S. equity Indices, specifically in the smaller-cap spectrum, as these equities tend to exhibit weaker balance sheets and lower profit margins relative to large cap peers.
- Over the long run, nearly all the returns of stocks have been driven by earnings, despite the (sometimes reasonable) handwringing about valuation. Market participants should note that the S&P 500 grew earnings by a full 13% in Q2 2025 (>6% in revenue!), which helps explain the last part of the first paragraph.
- But, there was a lot of dispersion in the market, meaning that there were a few winners and a ton of losers. Specifically, it was the lowest quality stocks, i.e., negative earnings, high-beta, high debt loads, that led the market higher. This environment makes it difficult for active management.

% of S&P 500 Members Outperforming the S&P 500 Index Over the						
1m	2m	3m	4m	5m	6m	1y
29%	25%	17%	20%	27%	28%	18%

Source: Charles Schwab, Bloomberg, Data as of 9/30/2025

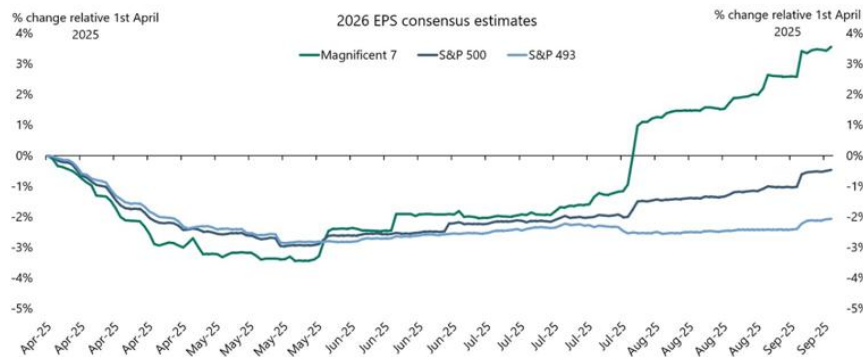


Underneath the Market's Hood Continued

Federal Reserve Cut Expectations Trump Liquidity Drain During the Quarter

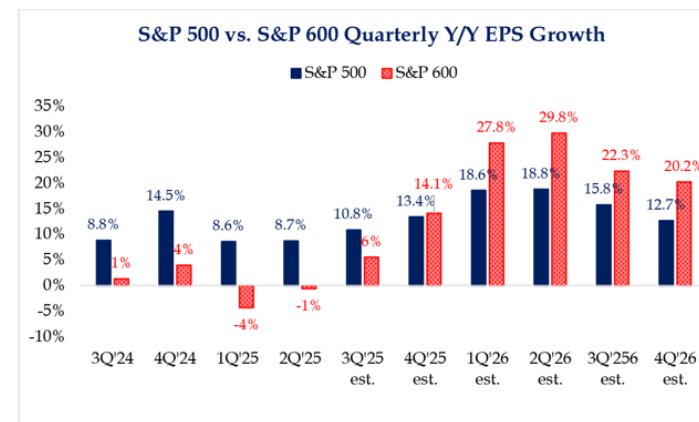
Partial Broadening Out With Small Caps Leading the Charge, But Don't Give the Magnificent Seven Any Short Shift

- It was a weird quarter for benchmarks and their respective performance:
 - S&P 500: +8.11%
 - NASDAQ QQQ: +9.01%
 - Magnificent Seven ("Mag. 7"): +16.93%
 - S&P 500 Average Stock: +4.83%
 - U.S. Small Caps: +12.45%
- Why Do I Show this Performance?:* Usually when Small Caps outperform Large Caps, the "S&P 500 Average Stock" performs well. That was not the case during the quarter. Performance can be transcribed into two things: (1) Continued Leadership from the Mega-Caps, as Capex Spending Continues to Lead Drive Revisions and Revenue, and (2) Expectations of Lower Interest Rates drove the Smallest of the Small.
- As seen below, the Mag. 7 continues to drive the upward movement in earnings per share ("EPS") for the benchmark. Said differently, EPS growth drove Mag. 7 performance. While small caps witnessed valuation expansion as the driving force for their performance. The big question moving forward is: *Can Small Caps Get their Growth Grove to Continue the Relative Performance?*



Small Caps Finally Joined the Party – Hitting New All-Time-Highs For the First Time Since 2021 – a Total of 966 Days – 2nd Longest Streak Ever!

- For some time, within small caps, investors have been focused on elevated interest expense and persistent profitability challenges. However, as companies have adapted to the higher rate environment, it's notable that the growth outlook for small caps in 2026 has shifted meaningfully. While part of this improvement can be attributed to easier year over year comparisons, it's also the first time we have seen a sustained and meaningful growth trajectory for small caps surpassing their large-cap peers.
- Over the past several months, we have finally begun to see small-cap interest expense as a percentage of total debt start to decline. It now stands at 6.9%, the lowest level in over a year. This easing is a positive development for smaller companies, which tend to be more sensitive to borrowing costs. Looking ahead, anticipated rate cuts should continue to provide support for the small-cap space as the market is pricing in five additional cuts by the end of 2026. However, if that path shifts toward fewer cuts, it could become a headwind for the asset class.
- Bull markets tend to rescue marginal charts, and small caps have been the marginal player this entire time → It's now being rescued.



The Concentration In Returns & Growth

Company Size Used to Be the *Enemy* of Growth; Now, It's the *Engine*

More Boom Than Bubble

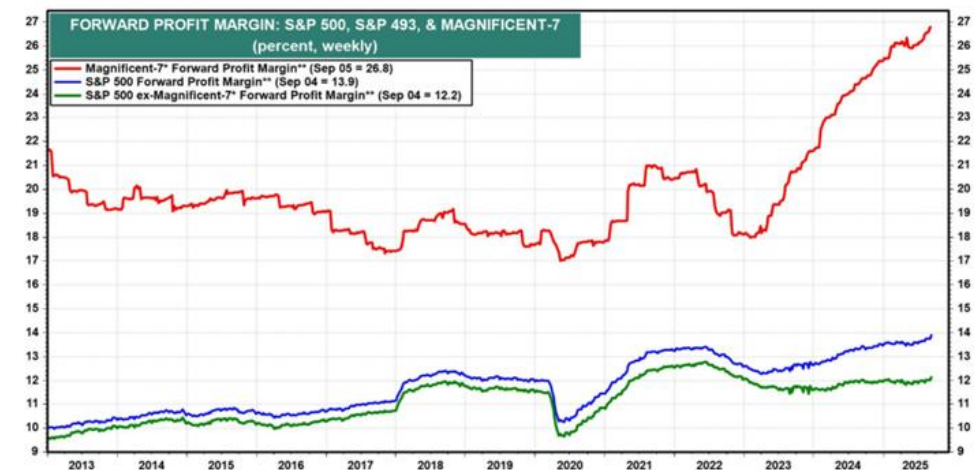
- Following a 32% rally in 2024, AI-exposed equities have rallied by an additional 19.2% YTD. AI-Driven stocks have driven:
 - 75% of the S&P 500 returns since ChatGPT's launch in November 2022;
 - 80% of the earnings growth during the same period; and
 - 90% of capital spending growth.
- Are we in another 2000 tech bubble? One can argue the companies at the top of the index today are significantly more profitable - and far less overvalued - than they were back then. The valuation point bodes this question: the NASDAQ has rallied in 16 of the past 17 years - how much of that has been the multiple? Answer: since the start of 2009, the total return of NDX is +2,251%. The breakdown: (1) 74% is thanks to earnings growth; (2) 16% is dividends; and (3) just 10% is valuation expansion
- Among the largest stocks, valuations are also still below the levels reached during the 2000 and 2021 peaks. The five largest stocks in the index (NVDA, MSFT, AAPL, GOOGL, AMZN) trade at P/E multiple of 28x, compared with 40x at the peak in 2021 and 50x at the peak in the Tech Bubble.

Since the Start of:	Contribution to Total Return (%)		
	Earnings	Valuations	Dividends
2011	68%	16%	15%
2013	65%	22%	14%
2015	71%	17%	12%

Source: Goldman Sachs, Data as of 9/30/2025

Artificial Intelligence ("AI") Continues to Drive Returns

- Hundreds of billions of dollars in AI capex investment have continued to support AI infrastructure stocks. In particular, the public US AI hyperscalers (AMZN, GOOGL, META, MSFT, ORCL) have made \$346B in capex investments during the past four quarters. Capex growth among these stocks also accelerated sequentially in Q2 (from 69% year-over-year in Q1 to 78% in Q2). The earnings and returns of firms involved in the build-out of this infrastructure - i.e., semiconductors, electrical equipment companies, technology hardware firms, power suppliers - have benefited from these sizable capex investments.
- The inevitable slowdown in capex growth poses a risk to the valuation of AI infrastructure stocks, but as of right now, it doesn't seem like this will occur in the next quarter. Overall Capex has a lot of tailwinds right now - 1) Full instant depreciation, 2) Falling interest rates, 3) Tariff incentives, 4) Deregulation, 5) and an AI gold rush.



Learnings From Earnings

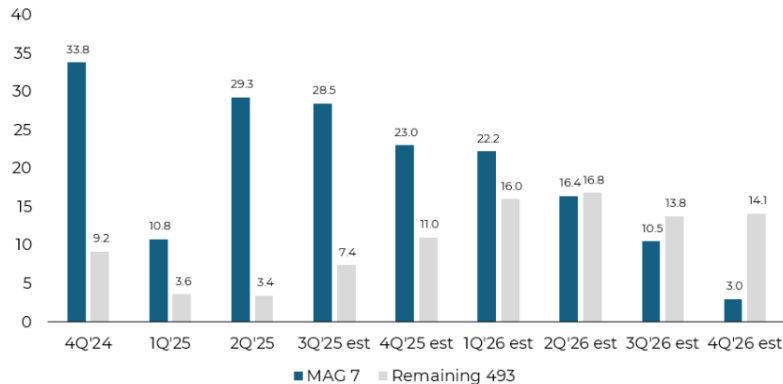
It's All About Earnings, Earnings, and More Earnings

Lessons from Q2 2025 Earnings Season

- Despite the lower expectations, Q2 shaped up to exceed even the pre-liberation day growth expectations with growth coming in at more than double initial expectations of 12.9%. Revenue growth is coming in at a whopping 6.3%, outpacing the previous four quarters, even before tariffs were introduced. Concerns over stalling sales have not materialized. Looking ahead, full-year 2025 EPS estimates are once again approaching \$270, while growth projections for 2026 remain strong at around 11%!
- Looking at the earnings growth rates for the Mag 7 and the remaining 493 shows that the second quarter of 2026 is expected to be an inflection point. Growth estimates for the rest of the index are expected to exceed that of the MAG 7. While in the near-term it remains difficult to fade these stocks, there is a building bifurcation across the stories of each company. Keep in mind, if the situation becomes too dire, shifting from capex spending to buying back stock is always an option. Of course, that comes at a cost to NVDA which has become reliant on the other MAG 7s for its topline.

Magnificent 7 vs Remaining 493

Year-over-year Change in EPS (%)



Source: Strategas as of 9/30/25

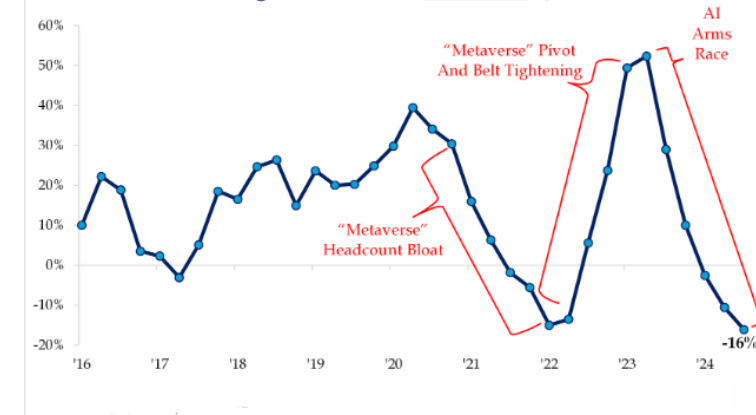
Hyperscalers Driving the Growth

- Earnings continue to be driven by the Magnificent Seven's capital expenditure ("CAPEX") spend. Mag 7 capex now account for 31% of the total capex spend of the S&P 500. For context, this figure stood at 19% in Q4 of 2019. Management commentary during this earnings season gives no indication of spending slowing down either. These capex plans, are starting to have an impact on the underlying FCF profile of these respective companies. With capex market share increasing by +1100 bps since Q4'23 and FCF market share declining by roughly -20 bps as a % of the total index over that same time period. The ROI on AI remains to be seen, but this hasn't deterred management teams yet.
- What's somewhat concerning here though is that when you strip out Nvidia, which has been selling the preverbally "picks" (chips) during this AI gold rush (data centers), the FCF growth profile deterioration has been enormous. This past quarter saw FCF decline by -16% Y/Y, a figure that wasn't breached during the depths of the bear market in 2022. Perhaps the green shoots to take away from this is the relatively easy comp profile for the group going into '26.

\$ in billions							
2025 ESTIMATES							
	2025 Capex Estimate @ Start of '24	2025 Capex Just before Q1 Results	2025 Capex Post Q1 Results (and through June)	% Revision Immediately Post Q1 '25	2025 Capex Just before Q2 Results	2025 Capex Post Q2 '25 Results	% Revisions Post Q2 '25
Amazon	\$64.0	\$104.0	\$104.0	0%	\$104.0	\$110.0	6%
Microsoft	\$48.0	\$88.0	\$90.0	2%	\$90.0	\$128.0	42%
Google	\$38.0	\$75.0	\$75.0	0%	\$75.0	\$85.5	14%
Meta	\$35.0	\$60.4	\$67.0	11%	\$67.0	\$70.0	4%
Oracle	\$9.0	\$19.0	\$25.0	32%	\$29.0	\$29.0	16%
Total	\$194.0	\$346.4	\$361.0	22%	\$365.0	\$422.5	17%
\$ Revision			\$14.6			\$61.5	
2026 ESTIMATES							
	2026 Capex Estimate @ Start of '24	2026 Capex Just before Q1 Results	2026 Capex Post Q1 Results (and through June)	% Revision Post Q1 '25	2026 Capex Just before Q2 Results	2026 Capex Post Q2 '25 Results	% Revisions Post Q2 '25
Amazon	\$62.0	\$107.0	\$109.0	2%	\$109.0	\$115.0	6%
Microsoft	\$52.0	\$100.0	\$100.0	0%	\$100.0	\$120.0	20%
Google	\$40.0	\$83.0	\$77.0	-7%	\$77.0	\$98.0	27%
Meta	\$38.0	\$64.0	\$78.0	22%	\$79.0	\$100.0	28%
Oracle	\$7.0	\$21.0	\$28.0	33%	\$32.0	\$40.0	43%
Total	\$199.0	\$375.0	\$392.0		\$397.0	\$473.0	19%
\$ Revision			\$17.0			\$81.0	

Source: Goldman Sachs, Data as of 9/30/2025

Mag 7 FCF Growth ex-NVDA Y/Y



Source: Strategas, Data as of 9/30/2025



The Market (Liquidity) Moving Forward

Own Risk Assets: Monetary Policy + Fiscal Policy → Sterilize the Impacts of Tariffs

It's Hard to Trump the Amount of Exogenous Support for the Markets

Bonds are principally focused on the current slowdown in the domestic labor market (and therefore price a more active Fed), while stocks are looking forward to a cyclical acceleration (in part thanks to supportive policy, both monetary AND fiscal).

Fiscal Policy:

- For the Consumer: Another major catalyst for consumers set to take effect in Q1 2026, is the stimulus from One, Big, Beautiful Bill ("OBBB"). Wall Street estimates that the total value could reach roughly \$150B, driven by an increase in the SALT limitation, an expanded child tax credit, a higher standard deduction, and several other measures.
- For Corporations: Officially during the quarter, the decline in corporate tax revenues now exceeds the revenue gain from tariffs and provides a buffer for US companies. To be fair, this will not be true of every company. Some companies will get more tax cuts and have less tariff exposure. Some companies may receive tax benefits, but have a higher tariff burden. And some companies may have a high tariff burden and little tax relief.

Monetary Policy:

- The Federal Reserve didn't just cut rates in September by 0.25%, but it signaled that we have re-engaged a rate cutting cycle.

The Consumer Remains Strong

- The U.S. Household net worth is melting up to higher highs. Maybe this comes as a surprise, given the ongoing blockages in the housing market and inflation pressures, or maybe it doesn't, given what stocks have been doing over the past decade.
- As seen below, the largest contributor to the increase in net wealth has come from stocks and real estate, while overall liabilities has remained benign. Said another way, if you zero in on the past decade, while housing was a clear contributor in the COVID / post-COVID era, again the stock market has done most of the work over the past three years.
- Knowing the above bullet point, wealth accumulation is coming at the top half of American households – particularly the very top end – as this cohort tends to have more financial assets.
- Remember the below two things, in regard to the consumer:
 - The absolute level of U.S. household net worth remains strong showing the strength of the consumer; and
 - The consumer should hold up as long as the labor market does.

	U.S. Household Net Worth (\$T)						
	Current Q2	Previous Peak	Since Previous	Since COVID		10YR Change	
	2025	(Q1 '25)	Peak (%)	Q1 2020	(%)	Q2 2015	(%)
Total Assets	\$ 197.9	\$ 190.0	4.2%	\$ 127.5	55.2%	\$ 103.8	90.7%
Deposits	\$ 19.7	\$ 19.6	0.5%	\$ 14.3	37.8%	\$ 10.6	85.8%
Total Stock Inv.	\$ 72.6	\$ 67.0	8.4%	\$ 35.5	104.7%	\$ 31.3	132.3%
Other Fin'l Assets	\$ 42.9	\$ 42.1	1.9%	\$ 37.1	15.5%	\$ 31.2	37.5%
Real Estate	\$ 49.3	\$ 48.0	2.7%	\$ 30.5	61.6%	\$ 22.4	120.1%
Other Non-Fin'l Assets	\$ 13.4	\$ 13.3	0.8%	\$ 10.1	32.5%	\$ 8.3	61.1%
Less: Total Liabilities	\$ 21.0	\$ 20.8	0.9%	\$ 16.6	26.3%	\$ 14.3	46.3%
Total Net Worth	\$ 177.0	\$ 169.2	4.6%	\$ 110.9	59.6%	\$ 89.4	97.8%

Source: Federal Reserve, FRED, Data as of 9/30/2025



A Secular Shift or Another Head Fake?

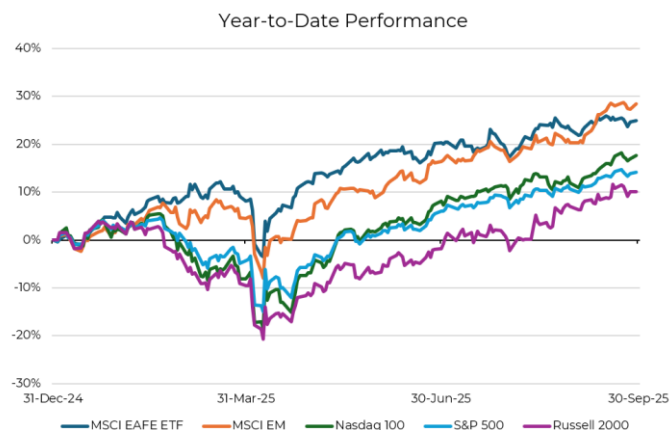
The International Debate: It Seems That Donald Trump Has Started to Make International Equities Great Again.

For the past 16 years, it's all been about *U.S. Exceptionalism*, which is a construct of reserve currency status, which allows for lower financing costs (used to fund deficits), global leadership in tech innovation, deep capital markets, and a flexible labor force.

What Has Been Driving the International Outperformance?

U.S. equities have underperformed International due to the following reasons:

- Europe is still easing monetary policy, even as inflation remains above 2%, while the U.S. appears to have finished its tightening cycle.
- Germany and other European nations are expected to expand fiscal stimulus, increase defense budgets, and reduce reliance on long-standing EU constraints; in contrast, the U.S. is beginning to cut its fiscal deficit, which may act as a drag on domestic growth while Europe is still in expansion mode.
- After years of overweighting U.S. equities, global investors are beginning to reallocate into international markets, seeking broader exposure.
- Earnings growth has become more evenly distributed across global markets. While the Magnificent 7 posted outsized earnings over the past two years, many international markets saw modest or even negative growth, setting the stage for potential catch-up.
- The valuation gap between recent outperformers and underperformers had become extreme. The consistent dominance of specific sectors and styles was unlikely to persist, and we may now be seeing the beginning of mean reversion.



Source: Bloomberg, Aptus as of 9.30.25

Do We Chase International?

- We believe it is perfectly reasonable to wait for more confirmation before chasing international exposure. If structural changes take hold, there will be time to participate, and patience may help avoid rotating based on hopes rather than evidence. Especially that the majority of the relative outperformance has come from valuation expansion and currency translation.
- Everyone likes to hate on the U.S. market due to its high concentration and highly valued companies at the top of the market capitalization spectrum. But, International has the same exact problem through its individual country exposures. But these exposures come with less growth and lower profitability.
- With International trading at a substantial discount to the U.S., and it exhibiting the same top-end concentration and valuation problems, makes you wonder about the rest of the constituents in the International benchmark – they must be extremely cheap and lower in profitability and growth.

Country	Top 5 Weight in Country Index	MSCI Index Weight (By Country)	P/E Ratio Forward	Operating Margin	Five Year Sales Growth %
Japan	18.01%	22.31%	21.13	10.82%	4.44%
United Kingdom	34.02%	14.54%	16.96	12.56%	5.72%
France	32.10%	10.84%	18.05	11.78%	5.26%
Germany	45.24%	9.78%	21.64	6.82%	2.65%
Switzerland	49.82%	9.31%	15.23	12.62%	3.38%
Average	35.84%	13.36%	18.60	10.92%	4.29%
U.S.	27.79%	-	31.46	38.80%	24.38%

Source: Aptus Capital, Bloomberg, iShares ETFs, Data as of 9/30/2025



Is the Market Expensive?

For the Last Decade, It's Either You Owned Domestic Large Caps or You Underperformed.

U.S. Large Cap Stocks

There's rarely a time when investors believe the market is cheap relative to history, but maybe they are improperly comparing it to the past:

Question: Which stock should warrant a higher valuation – all things considered equal (i.e. what the company does, their growth, etc.)

- Stock A: 8% Profitability, or
- Stock B: 17% Profitability.

Answer: Most people would argue that “Stock B” should warrant a higher valuation, given its higher profitability. This concept can be applied to the U.S. Market (i.e., S&P 500). Why compare the valuation of the S&P 500 in 1980 (which had ~8% operating margin) to the S&P 500 of today (17.5% next twelve-month operating margin)? It's clear that the S&P 500 should warrant a higher valuation today relative to the past, especially because its constituents are more asset-light (better profitability) and more innovative (higher long-term growth).

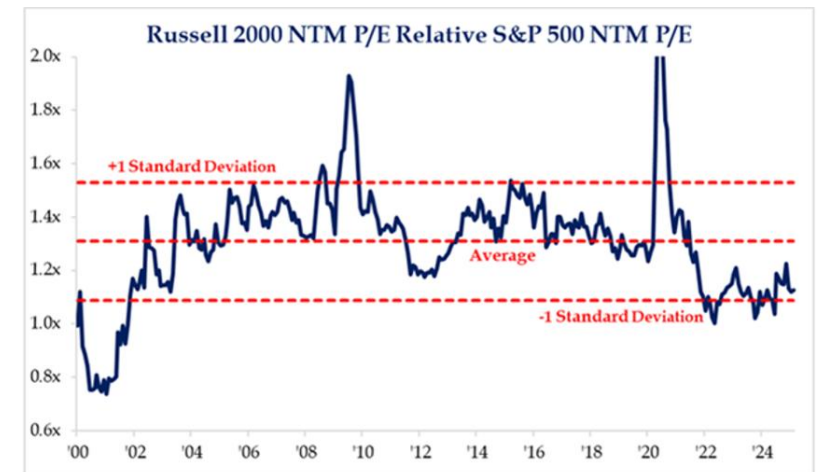
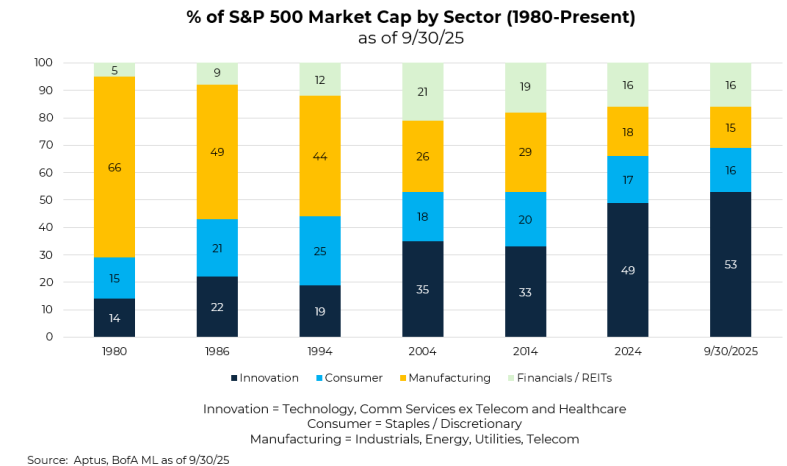
U.S. Large Caps embody the characteristic of “operating leverage”, which warrant a higher valuation.

Small Caps Continue to Trade at a Discount

Over the past decade, the investment landscape has been fairly binary; investors who owned U.S. Large Caps generally outperformed, while those overweight Small Caps largely underperformed. Historically, U.S. Small Caps have traded at a modest premium to their large-cap counterparts. Today, however, that relationship has reversed, with Small Caps trading at a nearly 30% discount. This shift has prompted many to question when a mean reversion trade might emerge.

Why the Discount?

- U.S. small caps lack the same level of exposure to technology proxies as the S&P 500, meaning that they have an underweight to the artificial intelligence narrative.
- Over the past few years, U.S. Large Caps have garnered the characteristic of operating leverage. U.S. Small Caps are more of a service-based asset class, which does not have this characteristic.
- From an earnings perspective, Small Caps have consistently lagged their larger peers. After 18 consecutive months of negative earnings growth, Small Cap earnings have finally turned positive. If growth begins to reaccelerate meaningfully, we would expect fundamentals to follow, along with renewed investor interest.



Source: Strategas, Data as of 9/30/2025



Is Market Concentration an Issue?

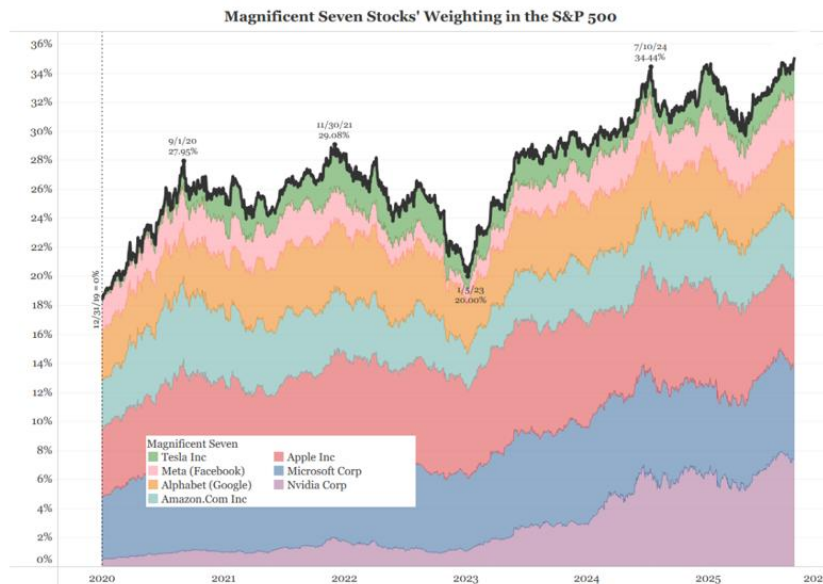
The Top 10 Stocks in the S&P 500 Account for ~41% of the Index

What is the Current Landscape?

- S&P 500 returns last year were nothing short of spectacular, with the index rising an impressive 25%. However, it's no secret that this strong performance is largely driven by a handful of technology stocks — the so-called Magnificent 7 — which returned 64% last year versus only 13% for the remaining 493 stocks, accounting for a substantial amount of the index's return. This has let the concentration of the top 10 stocks to ~41%. The concentration helped last year, it's helped again this year.
- What Are the Arguments?

Negative: Investors do not need to be concerned about high market concentration over the short run; research has found no relationship between market concentration and S&P 500 returns over the subsequent week, month, six months, or year - when factors such as valuation, near-term economic and earnings growth, money flow, share buybacks/dividend policy, etc. drive returns

However, over the longer term -especially across 10-year horizons - market concentration has shown a more meaningful relationship with forward returns. Historically, high levels of concentration have been associated with lower returns when valuations are stretched.



Source: Bianco, Data as of 9/30/2025

Positive: Others argue that fears around market concentration are overstated. Concentrated markets are not inherently more risky, nor do they guarantee weaker performance. In many cases, valuation is the more relevant factor. In a global context, today's U.S. stock market is not uniquely concentrated. There have been more concentrated periods in U.S. history, such as in the 1950s and 1960s, and many international markets today show even greater levels of concentration.

Market concentration in and of itself should not be a source of investor concern, as it often reflects a natural outcome of profit growth becoming increasingly concentrated in the largest companies, which are then rewarded with higher valuations.

But U.S. Tech is subject to one's own interpretation. And I think the table below is a great point that we shouldn't think of U.S. Mega-Cap as traditional "single stock companies". Consider the below:

Mega Cap Stocks Have Multiple Facets to Their Business					
		2025 Expected Revenue		2025 Expected Revenue	
Company	Division	(\$B)		Company	Division
AMZN	Online Sales	\$268B		MSFT	Core
	AWS	\$127B			Azure
	Advertising	\$66B			Computing
GOOGL	Search	\$219B		AAPL	Products
	Cloud	\$56B			Services
	YouTube	\$40B			
Median S&P 500 Business: \$14B in Revenues					

Source: Bloomberg, FactSet, Data as of 9/30/2025



Keeping Things in Perspective

Macro News Can Seem Overwhelming, Just Remember, It's Still All About Stocks, Which Are All About Underlying Businesses.

What are the Big Questions for 2025?

- What is the State of the U.S. Consumer? Arguably, the most important story in the U.S. economy over the past two years has been the durability of the consumer. Strong labor markets have led to accelerating real disposable income, which in turn has fueled robust household spending. Add to that significant wealth creation since 2019, and the U.S. consumer has been empowered to do what it does best—spend.
- What is the Character and Sequence of Trump 2.0 Policy? The first 250 days were jam-packed. Markets reacted strongly to policy headlines, especially around immigration and tariffs. Despite this, we continue to believe the overarching bias will be pro-growth, pro-business, and pro-markets. Moving forward, it will continue to be noisy and uneasy at times, but the broad thrust of policy will be net positive for US equities, particularly around de-regulation.
- Will Fiscal Concerns Come to Roost in 2025? Last year, one of the surprises in 2024 was the lack of market stress over debt and deficits. Though bond markets showed signs of concern late last year, there was no major reckoning. This theme has a way of fading in and out of focus, but it is reasonable to expect renewed attention at some point in 2025, and we've witnessed that lately with the volatility in rates over the past two quarters.

Tailwinds:

- ✓ Tariffs are gaining more clarity with an effective rate likely to finish ~14%.
- ✓ Tariffs are slowing Economic growth, but fiscal and monetary policy is likely to sterilize the negative impact.
- ✓ Tax bill provides for an incremental \$150B of consumer aid in early 2026 – a massive surge of consumer aid.
- ✓ Business investment provisions add an extra catalyst on AI and reshoring themes.
- ✓ Entering the de-regulation phase of the policy agenda.

What are the Big Questions for 2025 Continued

- Does the Equity Investor Market Need to Worry about the Recent Tightening of U.S. Financial Conditions? Since the recent Fed tightening, the broad set of market moves would constitute a headwind to growth (a stronger dollar, lower stocks and wider credit spreads, and, most notably, higher US rates). The main driver has been the tone of the Fed, some renewed concerns on the trajectory of US inflation, and the flow of capital.
- Does the Market Remain Priced for Perfection? Over the course of time, investors have arguably become too focused on valuation and may have been hurt more than helped by this obsession. It's important to distinguish between a fairly valued market and an overvalued one. By nearly any measure, today's market does screen as expensive relative to history.
- How Dependent is the Market on the AI Theme? The Magnificent Seven added \$6T of market cap in 2024, and the AI story was as powerful as any in that mix. At times, it felt like the entire market revolved around one theme. The question now is, what happens if one of those key stocks falters? Historically, the S&P 500 has often rallied after periods of extreme concentration, with the rest of the market catching up. If that happens again, it could be a more benign outcome than a broad correction.

Keep The Main Thing, The Main Thing

Headwinds:

- ✓ Around \$235B liquidity drain started in September. Fed rate cut helps stabilize but will be interesting to see if overall interest rates are impacted.
- ✓ Labor market has slowed: Will the fire engines of fiscal and monetary policy show up fast enough?
- ✓ China trade issues are re-emerging as we get closer to a possible Trump/Xi Meeting on antitrust, etc.
- ✓ Geopolitics around Russia
- ✓ Potential government shutdown.



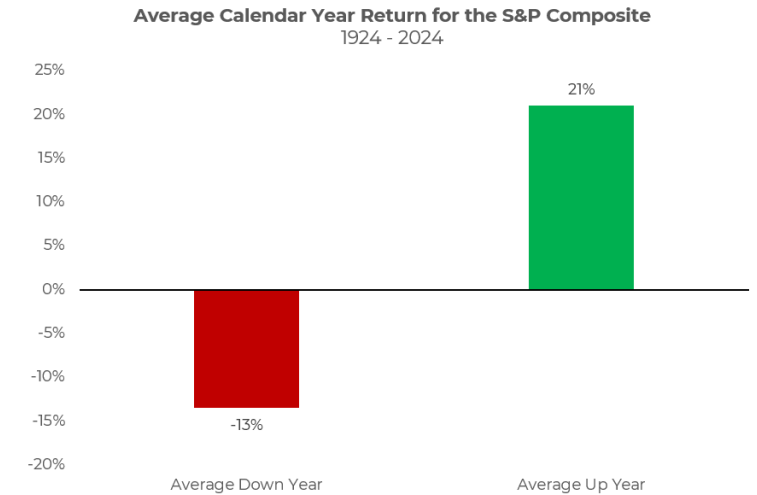
FY 2025 Market Outlook – Airplane!

For the time being, it looks like the prospects for continued monetary accommodation, relatively easy fiscal policy, and regulatory easing should continue to keep animal spirits alive for both investors and dealmakers.

This is why we believe that investors need to own stocks for the long haul... *Surely You Can't Be Serious. I Am, and Don't Call Me Shirley.*

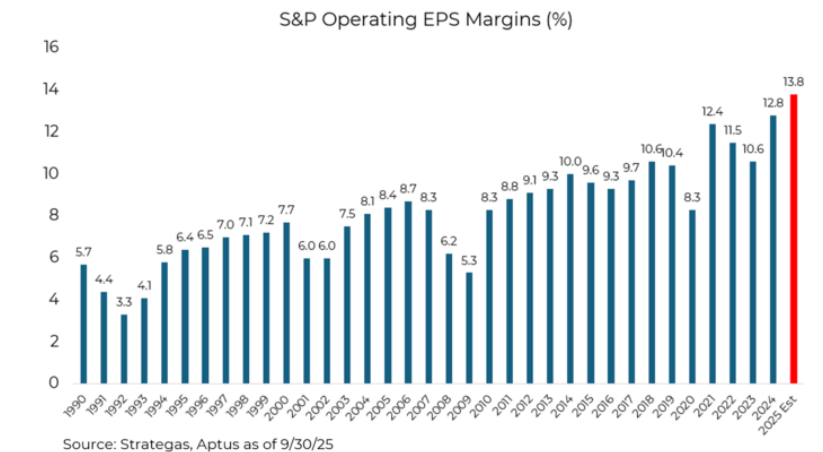
The S&P 500 has Evolved Over the Past Few Decades ... For the Better

- A byproduct of the S&P 500 becoming a more asset-light, innovative market is that it now embodies the characteristic of operating leverage, which benefits margins. Operating leverage can be an investor's best friend or their worst enemy.
- And next year's estimated growth is a perfect example of why operating leverage can be the S&P 500's best friend. In 2025, the index is expected to grow its revenue by 5%, which equates to an earnings expansion of ~15%. *But operating leverage can cut both ways...*
- This should be the focal point – the potential ramifications to market return activity. If the index is characterized by operating leverage, then the market should incur more tails. The good years are great, and the bad years are tough. This plays right into one of Aptus' main investment methodology: *Doing Better in the Tails.*
- Historically, the S&P 500 has posted returns above 25% in 26 of the last 96 years. That's 27% of the time—proof that big upside years are not unusual.



The Hurdle Rate for Investors May Be Higher, Necessitating Ownership in Risk Assets

- When it comes to managing the debt, there are three basic paths: 1) default, 2) inflate it away, or 3) grow out of it. Given recent stimulus, we believe inflation and growth are the most likely outcomes.
- With ample liquidity still in the system and valuations relatively fair, many investors are underestimating the risk of being too defensive. Avoiding risk assets could mean missing out on growth and ending up in tough conversations with clients about lagging returns. Because if you do underweight risk assets, you may end up having more of an awkward conversation with your clients about sub-par returns than [little Joey did with Clarence Oveur about Turkish prisons](#).
- If nominal growth outpaces the increase in the deficit, the market can digest the debt problem. If not, the bar for returns will rise. This reinforces the importance of owning a full plate of risk assets—especially stocks—while using hedges as insurance in case rates stay elevated or volatility returns.
- In times of turbulence, volatility becomes an asset class in itself. Think of it like salt: not very appealing on its own, but it makes the full meal better. You can't eat salt alone, but you'd miss it if it weren't in the mix.





APTUS CAPITAL ADVISORS

Fixed Income Markets Review

A Bond Market Review – Q3 2025

Three In a Row Is Officially a Streak: The Aggregate Bond Index has strung together its 3rd straight positive quarter (+2.78% in Q1, +1.21% in Q2 and +2.03% in Q3) due to the continued optimism amongst macroeconomic data. But even in the face of adverse conditions, i.e., a surprise in job revisions that showed that the labor market may not be on as stable ground as originally perceived, created a more dovish Fed pivot. This allowed the market to start pricing in an increase in FOMC cuts, which was welcomed by the bond market. The Fed notably cut interest rates with inflation above target, markets at all time highs, bank stocks at all time highs, and credit spreads at a 3-decade low.

Interest Rates Moving Forward: Wall Street is convinced Congress, and the President will allow the fiscal budget to balloon again. If it does, long-term rates will rise. If Congress can keep the deficit from growing faster than GDP, long-term yields remain stabilized. The debt is really is that important to interest rates.

The Fed and Rate Expectations: As of the end of the quarter, the market is pricing in ~1.6 interest rate cuts in 2025 (vs ~2 for the Fed). The market is pricing the terminal interest rate at ~3.0% in late 2026, the same terminal level, but much earlier than the Fed. Given the degree to which interest rates rose post the Fed cuts in '24, it appears the market does not think there is a huge urgency to lower rates. The economy has slowed but is still growing (real GDP over 2% YoY), labor markets have weakened, however the unemployment rate remains in the low 4% range and equity markets are making new highs. All-in-all, it doesn't seem like policy rates are highly restrictive on the economy.

Where the Focus and Pressure Is: From the day that U.S. Treasury Secretary, Scott Bessent, mentioned that he was focusing on the 10YR Treasury yield, it has dropped, while the rest of the world has seen a modest increase in the same tenor. In fact, the spread differential between the U.S. and the rest of the world sits closer to 60 bps, up from just 14bps in June. We'd suspect that this has aided equities, but especially "broad" equities that are more reliant on the unlocking of the rate driven part of the economy that has been in a modest recession.

Cumulative Real After Tax Returns of Treasuries
1925-2025



Source: Aptus Capital Advisors, Data as of 9.30.25

	1M	QTD	YTD	1-YR	2-YR	3-YR	5-YR	10-YR
Bloomberg US Agg Index	1.09%	2.03%	6.13%	2.88%	7.14%	4.93%	-0.45%	1.84%
U.S. Investment Grade Bonds	1.88%	2.85%	7.50%	3.22%	9.34%	7.42%	-0.08%	3.25%
U.S. High Yield Bonds	0.66%	2.27%	7.25%	7.42%	11.41%	10.88%	5.23%	5.70%
iShares 20+ Year Treasury Bond	3.59%	2.42%	5.34%	-4.90%	4.58%	-0.79%	-8.73%	-0.60%
International Bond Index	0.35%	0.27%	2.62%	3.09%	6.51%	5.39%	0.62%	
U.S. Treasury TIPS	-0.05%	1.57%	5.66%	5.54%	6.53%	5.42%	3.72%	3.10%

Source: Bloomberg. Data as of 09/30/2025. Returns include Dividends. Returns over 1YR are Annualized.



The Fundamental Bond Backdrop

The Bad Math of Drawdowns – Fixed Income Edition

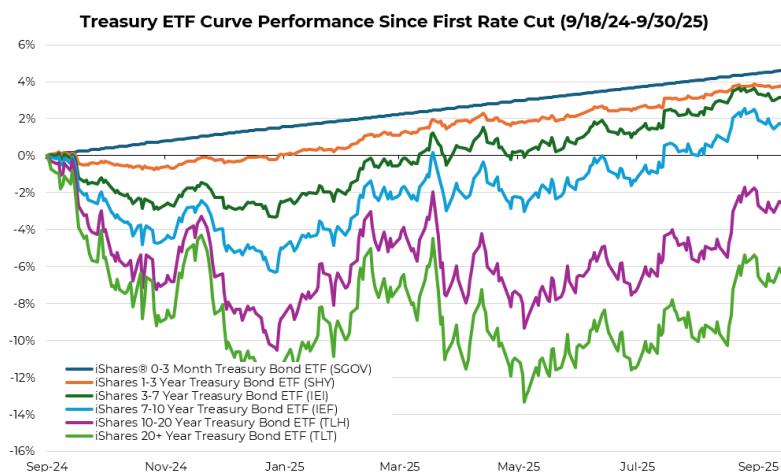
It Has Been the Worst Environment for Fixed Income...Ever

While stock market corrections are well studied, fixed income drawdowns are less explored, mostly because they've historically been rare. Bonds are generally considered safe and less volatile than stocks... until recently.

As interest rates rise, bond prices fall. When rates rise quickly, bond prices fall quickly. The latter is what has occurred over the past five years as the Fed did its best to keep inflation anchored by raising rates.

The Bloomberg Aggregate Bond Index is currently experiencing its largest and longest drawdown since its inception in 1976, both in terms of magnitude and duration.

Said differently, long duration bond funds are more than 9 years away from breaking even from yield...in nominal terms.



Source: Morningstar as of 9/30/25

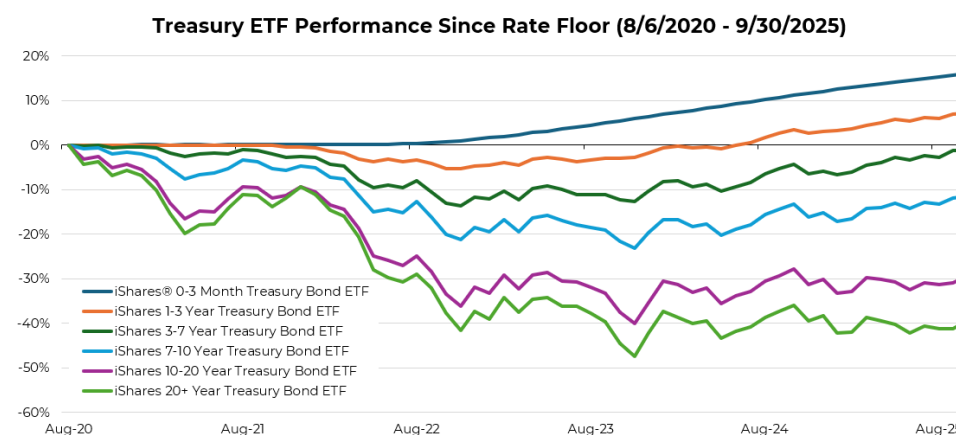
The Long Duration Puzzle: Bond Like Returns With Equity-Like Risk

Here are three stats we think you should know about long duration Treasuries:

- 1) Performance is negative since the 1st rate cut over 6-months ago (an outlier),
- 2) Long Treasury ETFs are still mired in a -40% drawdown since 2020 (multiples beyond any comparison), and
- 3) It's been over 1,200 trading days since their last all-time high (longest in history).

Volatility within bonds with duration has mirrored the volatility in equity markets. High yield and other riskier segments of the bond market have led performance, as they benefited from spread compression and the softening in interest rates.

Wild Statistic: Long duration exposure has come with equity-like volatility, with 10 of the last 13-years seeing long duration Treasuries with larger intra-year declines.



Source: Bloomberg, Data from 8/6/2020 – 9/30/2025



Let's Talk Credit Spreads

Even With All of the Recent Noise, It's All Quiet on the Credit Front

Why Do Investors Focus on Credit Spreads?

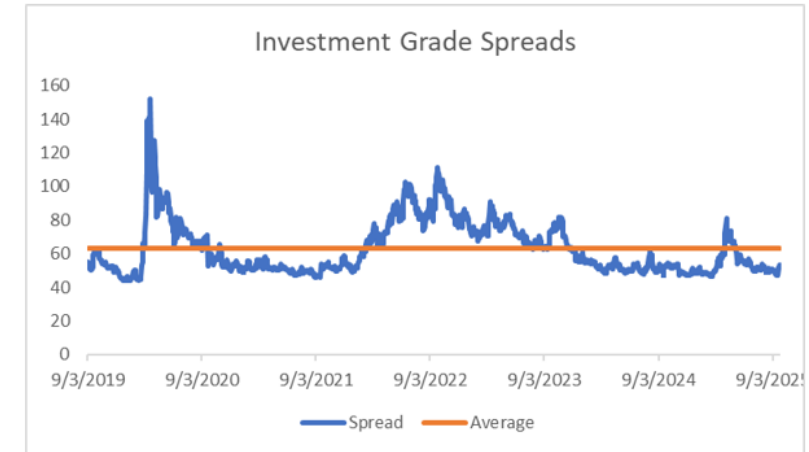
What Are They: If the bond market is the “smart market” (as it's often described) then credit spreads, which are a part of the bond market, are the “graduate school” of the global asset markets.

Credit spreads are the difference in yields between two bonds with the same (or similar) maturities but different credit qualities. For instance, the difference between the yield on a 10-year Treasury bond (which is still viewed in corporate finance as the “risk-free” rate) and the yield on a 10-year corporate bond, or more realistically, an index of corporate bonds with a maturity around 10 years.

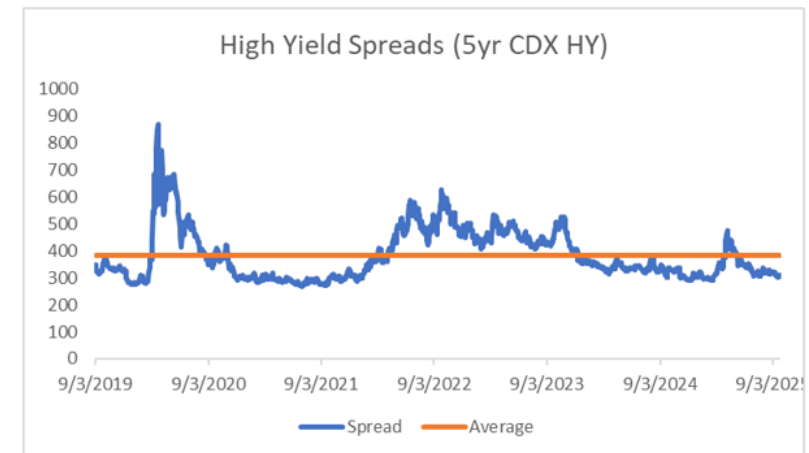
What Do They Tell Us?: Credit spreads offer insight into investors' view of the economic cycle. If recession fears rise, spreads tend to widen as investors anticipate higher default risks in corporate bonds. In that scenario, investors often sell riskier corporate bonds (driving their yields up) and buy safer Treasuries (driving their yields down). That divergence increases the credit spread—a signal of market stress or slowing growth.

Where Do We Currently Stand?: Despite recent headlines and market volatility, credit spreads remain well-behaved. The market saw a quick uptick in spreads during the volatile year of 2022, alongside the instability in the banking sector in March 2023. Since then, it's been all quiet on the credit front spread.

Even though we are overall optimistic about the economy, credit spreads for both Investment Grade and High Yield have remained resilient.



Source: Aptus Capital, Bloomberg, Data as of 9/30/2025



Source: Aptus Capital, Bloomberg, Data as of 9/30/2025



Bond Outlook – FY 2025

What Worries Us?

Treasury Supply: A significant concern remains regarding the growing supply of Treasuries, which will be entering the market at increasingly higher rates over the next several months, particularly as the duration profile shifts longer.

We believe that issuance will continue to put a floor under yields. With demand remaining neutral, the potential for a rally in rates, even now that the Fed has begun cutting rates, is limited.

What Does This Mean? The reintroduction of a term premium. Treasury supply will likely keep rising as the government's budget deficit persists. The increase in deficits has been driving term premiums across the curve higher. Though term premiums for 10-year Treasuries are currently around 47 basis points (per Bloomberg) and remain in a secular uptrend, they are still not far off their 10-year average. In fact, during 2023, term premiums increased to over 1.0%, suggesting that rates may stay higher for longer.

Keep an eye on Treasury issuance, as that will likely be the main driver of rates.

Time Required to Reach Total U.S. Debt Levels	
Of:	
\$10 Trillion	232 Years
\$20 Trillion	9 Years
\$30 Trillion	4.5 Years
\$31 Trillion	8 Months
\$32 Trillion	8 Months
\$33 Trillion	3 Months
\$34 Trillion	3 Months
\$35 Trillion	7 Months
\$36 Trillion	4 Months
\$37 Trillion	6 Months
Latest Level:	\$37.6 Trillion

Source: Strategas, Data as of 9/30/2025

Rate Volatility in the Future – All About the Debt

The focus for bondholders will continue to be around how the new tax bill might expand the deficit and its implications for yields. It's been our view that we have likely entered a secular uptrend in yields, but the upside is also constrained. Interest expense is a binding constraint not just for the government, but also corporations and consumers.

If rates continue to rise meaningfully, growth will likely slow, putting downward pressure on rates once again.

It's also important to frame the deficit impact of the tax bill in the context of tariff revenues. The two roughly offset, making the policy stance deficit neutral, but its certainty doesn't imply a shrinking deficit.

Wall Street is convinced Congress, and the President will allow the fiscal budget to balloon again. If it does, long-term rates will rise. If Congress can keep the deficit from growing faster than GDP, long-term yields remain stabilized. The debt is really is that important to interest rates.

ICE BofAML MOVE Index (*MOVE) [Follow](#)

74.38 0.00 (0.00%)

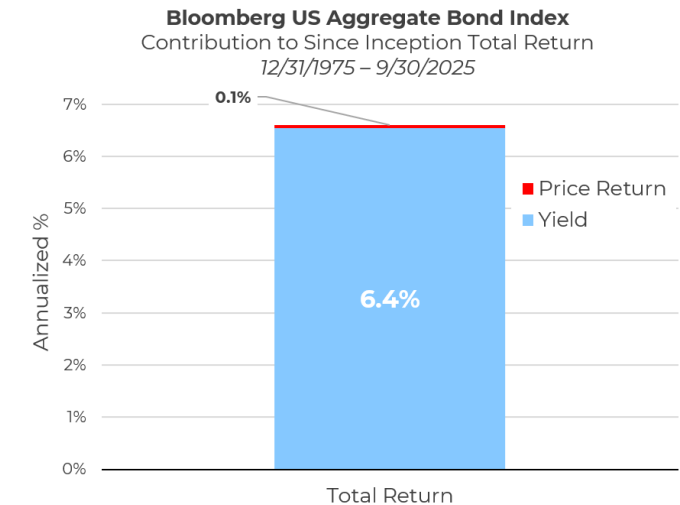


Source: YCharts, Data as of 9/30/2025

Remember Where the Bulk of Returns Come From

When investing in investment-grade bonds, many investors are often surprised to discover that the majority of returns come from coupon payments rather than price appreciation. Historically, 99.9% of the return for the Bloomberg Aggregate Bond Index comes from the coupon, with only 0.1% coming from price returns.

Bond investors need to pay close attention to the yield of their investments. With the Bloomberg Aggregate Bond Index currently yielding less than 4%, the real return after accounting for taxes and inflation may approach 0%. For those seeking a safe store of value, this yield might suffice. However, for investors looking to grow their capital for retirement or other long-term financial goals, this return will likely prove inadequate.



Source: Bloomberg, Aptus as of 9/30/25





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Important Topics of Discussion

Market's Key Focus: *The Debt Problem*

Three Ways to Beat the Debt Problem



Austerity
Spending Cuts



Grow Out of It
Productivity



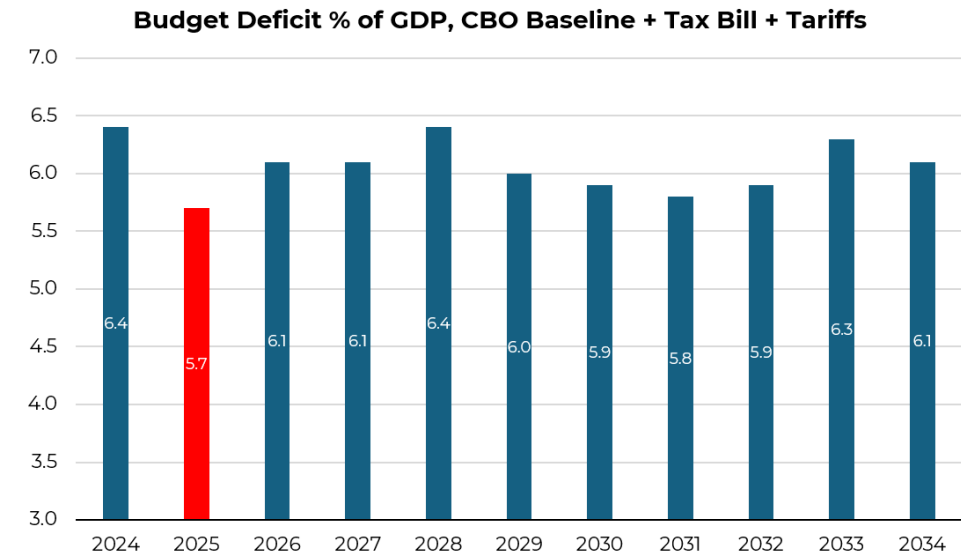
Inflate Out of It
Debases Wealth



Understanding the Debt Situation

- The U.S. government is spending 53% more today than it was before COVID. While the all-important Debt-to-GDP ratio hasn't moved as much (only up 17% from 2019), it's the trajectory of spending at higher interest rates is what the market is focusing on. This means that the forward projections for debt-to-GDP are also increasing – creating worry amongst market participants, as D.C. looks to pass a tax-cut bill during the Summer.
- *Random Facts:*
 - The best way to look at debt from an actionable standpoint is from an overall interest expense as a percent of expenditures. When this ratio is above 14%, Washington, D.C. tends to exhibit some aspect of austerity. We are currently closing in on 18% → this is why the market is focusing on the overall debt and the *One, Big, Beautiful Bill*.
 - The overall interest rate that the government pays has doubled from the 2021 low; currently sitting around 3.5%.
 - Over half of the U.S. Treasury Debt set to reprice next 3 years (+ deficits)
 - We are witnessing record deficits, when the market is at full-employment. The government ascertains a lot of its revenue for payroll tax.

Actionable Items: Own Risk Assets, or Risk Debasement



Source: CBO, Strategas as of 9/30/25

“We can Grow Both the Economy and Control the Debt. What is Important is That the Economy Grows Faster than the Debt”
-Treasury Secretary Scott Bessent



Leave the Government Shutdown Out of Your Portfolio

The Government is Like an 8th Grader Writing a Book Report; It Will be Completed at 11:59PM the Day Before It's Due.

The Potential For a Government Shutdown

- Congress returned from recess on September 2, facing an uphill battle to avoid a government shutdown which will be triggered on October 1, as 2025 government funding is set to expire. The risk of a government shutdown is rising, but a last-minute deal punting the fight to November is not off the table.
- Said differently, Congress needs to raise the debt ceiling with a continuing resolution ("CR") to keep the government open. Republicans can pass a CR on their own without Democratic help, but it will require most of them to stand together. The probability of a government shutdown has increased significantly as Democrats appear willing to let the government shut down rather than accept a CR without healthcare provisions.
- As we know, the budget deficit is already unsustainably big. The market cannot absorb the debt necessary to fund it without upward pressure on rates. To the extent that rates have risen since the pandemic, swelling government debt is the primary culprit. If Congress can shrink the deficit as a percentage of GDP, interest rates should drop.

Ramifications of a Shutdown

- Government shutdowns have had limited economic and financial market impact historically. But a shutdown could delay the release of key economic data, such as the October employment report and future CPI reports, depending on how long the shutdown lasts.
- Trump throws down the hammer and shows Democrats there is a cost to having a shutdown. Trump Administration is considering permanent layoffs of federal employees if a shutdown happens. One reason Democrats voted to prevent a shutdown in March was to avoid creating a legal DOGE structure.

But Don't Worry, Markets Perform Well During and After Shutdowns

- An analysis of previous shutdowns shows that, on average, markets continue to perform during government shutdowns, with S&P 500, MidCap 400, and Small Cap 600 all historically generating performance of >3% during these time periods.
- We note that there have only been 5 instances of shutdowns, and performance is heavily skewed by the late 2018/early 2019 funding gap, which coincided with a meaningful Fed pivot from hawkish to dovish and subsequent equity rally. Overall equity index performance has been positive in most funding gaps suggesting little evidence that a funding gap is a rational risk to equity performance (at least historically!)

	Date	Trading days	Return	S&P 500	MidCap 400	Small Cap 600
Funding Ended	11/13/1995	5	During Funding Gap	1.36%	-0.12%	-0.06%
Funding Restored	11/19/1995		Average Daily During Funding Gap	0.27%	-0.02%	-0.01%
			30 Days Before	1.53%	1.42%	0.74%
			30 Days After	2.18%	-1.53%	0.21%
Funding Ended	12/15/1995	14	During Funding Gap	0.16%	1.28%	0.36%
Funding Restored	1/6/1996		Average Daily During Funding Gap	0.01%	0.09%	0.03%
			30 Days Before	3.98%	-0.24%	2.50%
			30 Days After	4.16%	3.82%	3.22%
Funding Ended	9/30/2013	14	During Funding Gap	3.17%	2.92%	2.89%
Funding Restored	10/17/2013		Average Daily During Funding Gap	0.23%	0.21%	0.21%
			30 Days Before	3.14%	5.21%	6.23%
			30 Days After	3.93%	2.63%	2.62%
Funding Ended	1/19/2018	2	During Funding Gap	0.81%	0.53%	0.16%
Funding Restored	1/22/2018		Average Daily During Funding Gap	0.40%	0.26%	0.08%
			30 Days Before	5.01%	4.26%	4.14%
			30 Days After	-4.47%	-5.19%	-4.30%
Funding Ended	12/21/2018	22	During Funding Gap	10.43%	13.00%	14.15%
Funding Restored	1/25/2019		Average Daily During Funding Gap	0.47%	0.59%	0.64%
			30 Days Before	-8.64%	-11.69%	-13.46%
			30 Days After	5.01%	6.47%	7.06%

Source: Raymond James, Data as of 9/30/2025

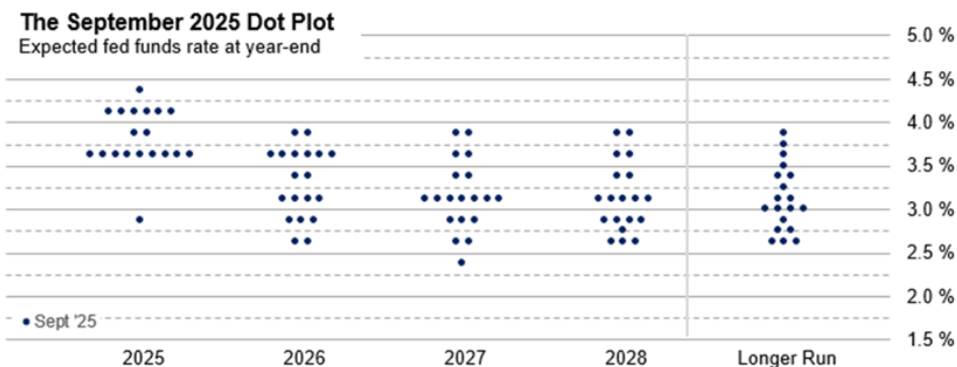


The Recent Federal Reserve Meeting

When Doves Fly: Monetary Policy Remains in the Passenger Seat Whilst Government Policy (Fiscal Policy) is the Driving Force For Markets.

September 2025 Fed Meeting Recap

- The Federal Reserve cut interest rates by 0.25% to 4.00% - 4.25%, marking a 125bp reduction since rates began coming down last September, but the first cut since December – i.e., 9 months in-between cuts. The long pause was in response to fears of inflation stemming from the tariffs imposed in February and April this year. Governor Stephen Miran was the only dissent. He favored cutting 50bp in September.
- The Fed's dot plot indicated two more rate cuts were possible before year end. This trajectory may have allowed today's decision to proceed without additional dissents. The next two meetings are Oct. and Dec., though Fed Chair Powell noted that cuts then were not done deals. He called today's move a "risk management cut."
- The FOMC has re-engaged with their rate cut cycle. The goal should be to get policy rates from restrictive to neutral. A key question remains: how low is the fed funds rate going to go (where is neutral?). We still believe a ~1% real (inflation-adjusted) rate should be a good longer-term target.



The Updated Numbers

- Core PCE Inflation (The Fed's Preferred Measure of Inflation):** The FOMC was correct in their assessment earlier this year that there would be a pop in inflation due to tariffs. Now, it seems like they are comfortable that there won't be another large pop that carries into next year. Note, core inflation is currently 3.1% year-on-year – in line with current expectations.
- Gross Domestic Product:** In the rest of the Fed's new forecast, known as the Summary of Economic Projections (SEP), The GDP forecast is a bit stronger through the forecast period, the unemployment rate little changed, and the inflation forecast unchanged this year, a little higher in 2026 and unchanged in 2027.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2025

Variable	Median ¹					Central Tendency ²					Range ³				
	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run
Change in real GDP	1.6	1.8	1.9	1.8	1.8	1.4-1.7	1.7-2.1	1.8-2.0	1.7-2.0	1.7-2.0	1.3-2.0	1.5-2.6	1.7-2.7	1.6-2.6	1.7-2.5
June projection	1.4	1.6	1.8		1.8	1.2-1.5	1.5-1.8	1.7-2.0		1.7-2.0	1.1-2.1	0.6-2.5	0.6-2.5		1.5-2.5
Unemployment rate	4.5	4.4	4.3	4.2	4.2	4.4-4.5	4.4-4.5	4.2-4.4	4.0-4.3	4.0-4.3	4.2-4.6	4.0-4.6	4.0-4.5	4.0-4.5	3.8-4.5
June projection	4.5	4.5	4.4		4.2	4.4-4.5	4.3-4.6	4.2-4.6		4.0-4.3	4.3-4.6	4.3-4.7	4.0-4.7		3.5-4.5
PCE inflation	3.0	2.6	2.1	2.0	2.0	2.9-3.0	2.4-2.7	2.0-2.2	2.0	2.0	2.5-3.2	2.2-2.8	2.0-2.4	2.0	2.0
June projection	3.0	2.4	2.1		2.0	2.8-3.2	2.3-2.6	2.0-2.2		2.0	2.5-3.3	2.1-3.1	2.0-2.8		2.0
Core PCE inflation ⁴	3.1	2.6	2.1	2.0	2.0	3.0-3.2	2.5-2.7	2.0-2.2	2.0		2.7-3.4	2.2-2.9	2.0-2.4	2.0-2.2	
June projection	3.1	2.4	2.1			2.9-3.4	2.3-2.7	2.0-2.2			2.5-3.5	2.1-3.2	2.0-2.9		
Memo: Projected appropriate policy path															
Federal funds rate	3.6	3.4	3.1	3.1	3.0	3.6-4.1	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	2.9-4.4	2.6-3.9	2.4-3.9	2.6-3.9	2.6-3.9
June projection	3.9	3.6	3.4		3.0	3.9-4.4	3.1-3.9	2.9-3.6		2.6-3.6	3.6-4.4	2.6-4.1	2.6-3.9		2.5-3.9

Source: Federal Reserve, Data as of 9/30/2025

Overall: The Fed believes we are still early enough in the tariff regime that 1) The tariff weight vest isn't dramatically weighing on the economy (yet) and that 2) The aforementioned offset of reduced margins, value shopping and statistical offsets are keeping that inflation beach ball submerged. But the longer the tariffs stay in place, the inevitable will ultimately occur, in that the weight vest will exhaust the economy (slowdown?) and/or the inflation beachball will escape to the surface. That's why the Fed warmed about an inflation pop in the coming months and why it is still focused on any impacts to growth. But it seems like the current inflation regime appears anchored.



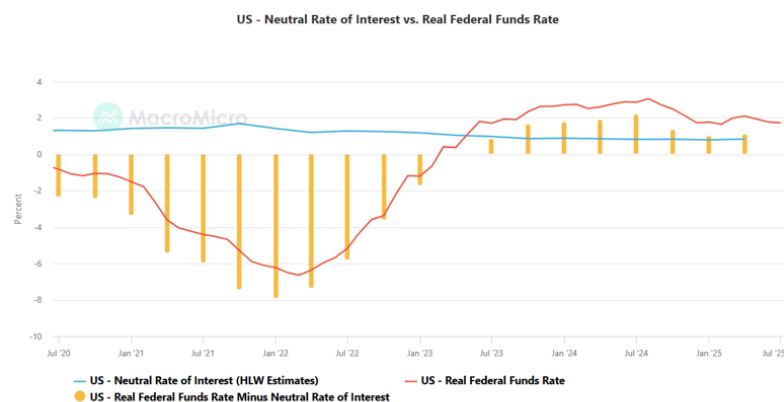
The Federal Reserve Continued

The Phrase of the Meeting: “A Risk Management Cut”

Where is Neutral Rate?

The Big Question: *Is Neutral Policy Appropriate Right now?*

- Jerome Powell's Answer: “If you go back and look at the revised job creation numbers for May, June, July, and August, I can no longer say that [job growth is solid]. So, what that means is that the risks were clearly tilted toward inflation, I would say [the balance of risks] is moving toward equality... That suggests we should be moving in the direction of neutral.”
- In simple English, policy should be neutral - which the majority of FOMC voters believes means a fed funds range of 3.0%-3.25% - when risks to the two sides of the Fed mandate are in balance. Right now, the Fed still believes inflation risks outweigh employment risks. Since the last meeting, however, employment risks increased, and inflation risks decreased. But the Fed believes inflation risks will remain dominant through 2027, while the market is comfortable risks will return to balance next year.

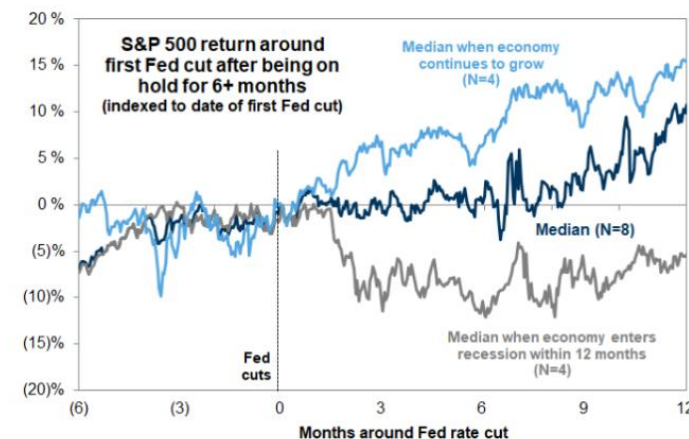


Bottom line: We are not Surprised that President Trump Calls Fed Chair, Jerome Powell, too late. In a way, it was a layup because it neatly describes a central part of the Fed's way of acting. As Chris Waller described in a speech last year, the FOMC intentionally waits longer to act than markets would like - by focusing on quarterly rather than monthly data, for instance - to avoid acting prematurely. As a result, the Fed is always late to move, *but usually not too late to avert disaster.*

The Fed and the Markets

- As the economy moves through the tariff impacts, we expect a re-acceleration of growth in 2026 and continued Fed cuts will support further gains for US equities.
- As of quarter end, the market expects two more 25 bp cuts to the policy rate this year, continuing in October, followed by additional quarterly cuts in 2026. Furthermore, while real GDP growth will remain below-trend for the remainder of this year, though higher-than-expected, many believe the US economy will avoid a recession.
- During the last 40 years, the S&P 500 has typically generated positive returns following the resumption of Fed cutting cycles during which the economy continued to grow.

Exhibit 1: The market typically rises when the Fed resumes cutting alongside a growing economy

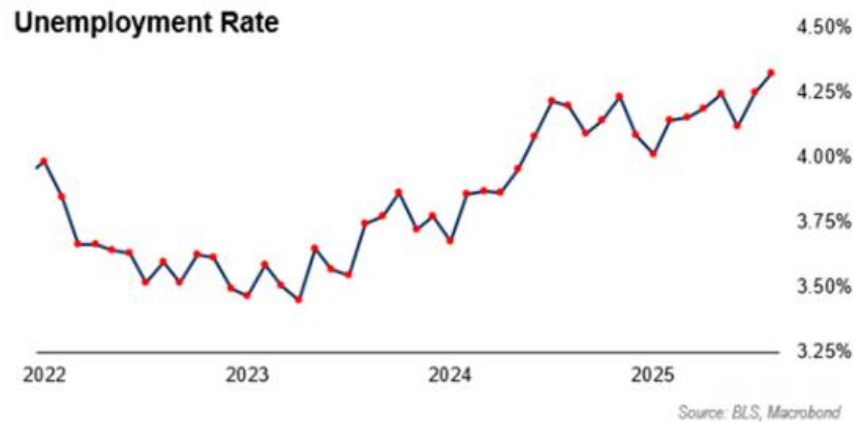


An Update on the Fed's Dual Mandate

Labor Market: Labor Market Had Some Weak Prints in the Quarter, Especially With Revisions. It's Likely More About Softening, Than Something Systemic.

Data May Show That the Labor Market Has Been Soft for a Year

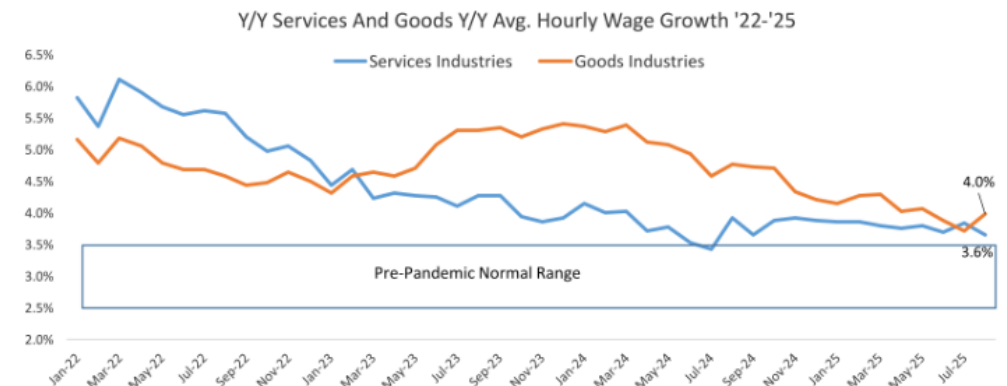
- Turns out the household survey was more correct all along, as the BLS revised the establishment survey down 911,000 since early 2024, likely meaning that rather than growing ~1% over the last year, employment likely has only grown very marginally, which the household survey has suggested since early 2024.
- Although this does confirm the job market is soft, it doesn't change a few facts we know from recent company reports - retail sales are accelerating modestly this year, debit/credit card transactions are accelerating modestly this year, and consumer spending remains in a very normal and healthy level year-over-year.



Source: FHN, Data as of 9/30/2025

The Positive Is "Average Hourly Earnings" Remains Strong

- Negative labor revisions continue to get the headlines. But this doesn't change the fact that wages, incomes, spending still solid with retail sales & debit/credit card volumes accelerating. The wealthy keep spending, and they need to continue to if this is only a slowdown before next year's acceleration in economic growth.
- Wages continue to outpace inflation and historical averages. For those that have jobs, which is a lot of Americans, given the unemployment rate, times aren't as bad as what the headlines say.



Source: Raymond James, Data as of 9/30/2025

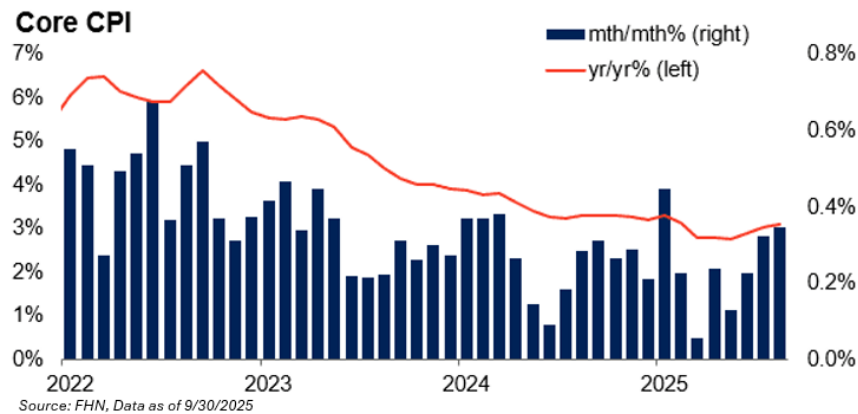


An Update on the Fed's Dual Mandate

Inflation Readings: With Monetary & Fiscal Policy Becoming Less Restrictive, Consumers May Balk at the Higher Prices, But We're More Worried About Growth vs. Inflation Over Time.

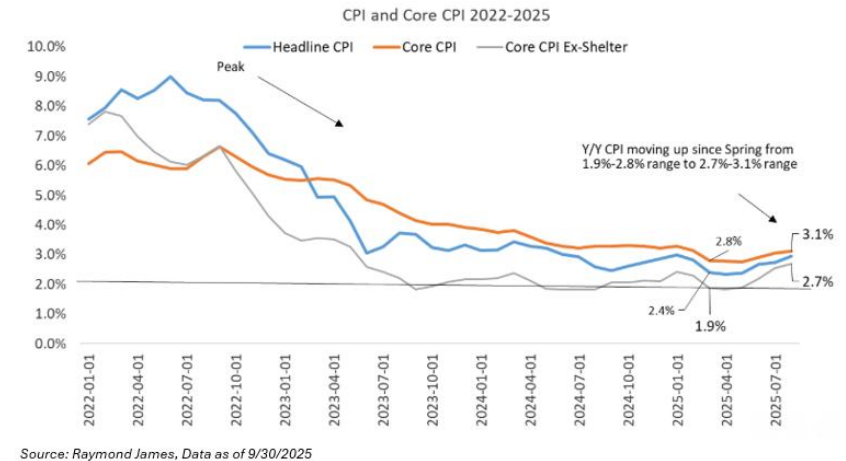
Expectations on Inflation Remain Stubbornly Higher

- The most recent CPI report was a little hotter than expected:
 - *Headline* Year-Over-Year: 2.93%
 - Core Year-Over-Year: 3.11%
- Bear in mind, while inflation rate has been a little higher than predicted, when tariffs were imposed, in February and April, the end-of-summer inflation rate was projected to be much higher than the 2.9% headline and 3.1% core.
- That said, long-term breakevens remain anchored – that's what is important
- The PCE price index, the Fed's preferred measure of inflation, continues to be stubbornly sticky, making no progress this year and remaining between 2.5% and 3%. The question of 2025 continues to be: Is ~2.5%-3% "good enough", or how stubborn will the Fed be, even if it risks recession, to get inflation all the way down to 2%?



Are Tariffs Apparent in the Inflation Prints?

- Tariffs on goods lower economic growth, but tariffs on goods are unlikely to lead to widespread inflation. The market is seeing some price increases on goods impacted by tariffs, but not a broad-based effect. The stabilizers outside goods, like energy and eventually housing, should serve as counterweights to higher prices. Coupled with a weak employment reports, the FOMC is shifting its bias.
- But, as time and data has shown the Fed, tariffs will unlikely have a meaningful effect to inflation over the long run – that it is in fact a one-time boost in prices.
- Thus far, the majority of tariffs have been born by U.S. corporations instead of Foreign Exporters and the U.S. Consumer. Moving forward, it's likely that corporations will pass on the increased costs to consumers. Even though the inflation boost is de-minimis, only time will tell how well consumers can take on stubbornly high inflation.



Are Tariffs Not “Tariffic” to the Economy?

We Invest in the World That We Have, Not The One We Want.

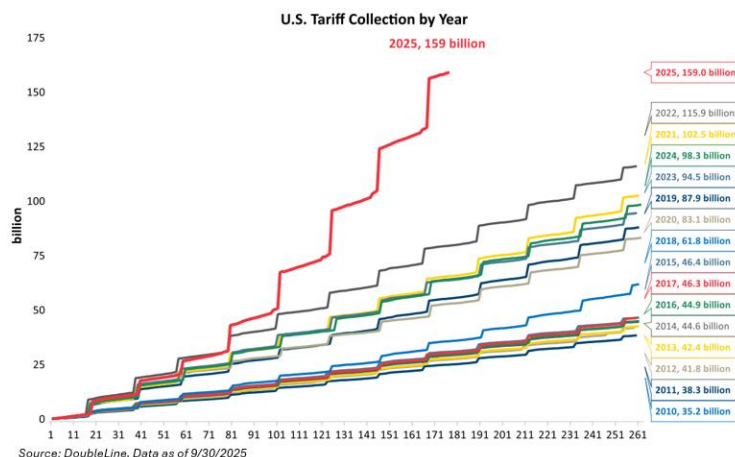
Explaining Tariffs to Clients

Tariff Analogy # 1: How Tariffs Impact the Economy

It's like the economy put on a weighted vest. The weight of the vest has to be light enough that the person can still complete the exercises but also heavy enough that it makes those exercises substantially more difficult. Tariffs are essentially a weight vest on the economy. They are, at current levels, light enough so they aren't preventing the economy from continuing to hum along. But just like with a real weight vest, the longer it stays on, the more difficult the exercises become. The longer tariffs stay in place, the harder it will be for the economy to maintain the pace of growth.

Tariff Analogy # 2: How Tariffs Impact Inflation

Holding a beach ball underwater. It's easy at first, but the constant pressure of air trying to rise almost always leads to the beach ball slipping out of one's grip and breaching the surface. Tariffs have a similar effect on inflation. They are the equivalent of inflating the beach ball. Initially, vendors and retailers eating price increases, consumers value shopping and statistical offsets (like slowing home price increases) can keep the inflation beach ball under the surface. But the longer the tariffs stay in place, the more inflation has the ability to escape, just like how that beach ball finds the weakest point of resistance to surge to the surface.



Focus Less on D.C.; More on Economics

- An old macro wisdom states that economics (and earnings) supersede politics (and geopolitics). *It always has and always will.*
- How Can We Prove This to You? In the short term, markets often react to headlines with volatility, but it's nearly impossible to determine any lasting impact without knowing whether policies will be implemented, enforced, or reversed. That's why short-term noise rarely translates into long-term significance.
- The table below compares sector performance during Trump's first term to that of Obama's two terms. Despite stark differences in policy agendas and governing philosophies, the leaders and laggards among sectors were strikingly similar

Annualized Return by Sectors Within S&P 500		
Sector	Trump 1.0	Obama
	Jan '17 - Jan '21	Jan '09 - Jan '17
Information Technology	31.0%	20.0%
Cons. Discretionary	21.0%	22.0%
Health Care	16.0%	16.0%
Materials	13.0%	15.0%
Industrials	11.0%	17.0%
Utilities	10.0%	11.0%
Financials	10.0%	19.0%
Comm. Services	10.0%	13.0%
Cons. Staples	9.0%	14.0%
Real Estate	8.0%	19.0%
Energy	-8.0%	8.0%

Source: Raymond James, Bloomberg, Data as of 9/30/2025



Tariffs Continued

The Tariff Regime Continues to Evolve Over Time

What Does IEEPA Refunds Mean to the Market?

- It is likely the Supreme Court will find President Trump has imposed the IEEPA tariffs illegally and this could trigger substantial refunds. More importantly, Secretary Bessent acknowledged the possibility the administration could be forced to refund IEEPA tariff proceeds and suggested they'd amount to about half of current tariff collections. Although the legal outcome and timing is uncertain, SCOTUS could provide a ruling sometime between the end of the year and the first quarter of next year.
- If the IEEPA tariffs were reversed by the end of the year, there could be up to \$140 billion (0.45% of GDP) in IEEPA tariff collections refunded. That figure could be larger if it takes longer for the courts to provide a ruling or if the effective tariff rate continues to rise from current levels.

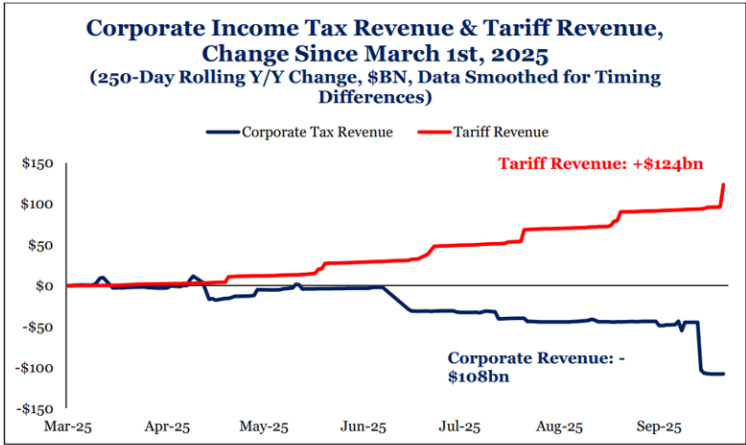
Trump has a legal back-up plan to re-institute tariffs if current regime is struck down.

	Section 338	Section 122	Section 301
Usage	Discrimination Against US Trade	Balance Of Payments	Unfair Trade Practices
Targets	All Countries	All Deficit Countries	China (Others Can Be Added)
Maximum Rate	50%	15%	
Timeline To Implement	30 Days	Immediate	Weeks To Months
Limits?	None	150 Days (Unless Congress Acts)	4-Year Review

Source: Strategas, Data as of 9/30/2025

What Happens from Here?

- Trump is ramping up tariffs as the Supreme Court hearing on his tariffs imposed under the International Emergency Economic Powers Act (IEEPA) looms in early November. These announcements demonstrate that the White House is pursuing a back-up plan to impose tariffs under tested legal authorities in case the IEEPA tariffs are vacated, and the president is tariffing items he views as important to national security, which includes the US manufacturing base. Trump's back-up plan for tariffs is a two-step process and it will take several months to get IEEPA fully replaced. These new 232 tariffs help bridge the gap on the effective tariff rate.
- The US tariff regime is becoming more complex. Simplicity is certainly not the goal here as the administration creates exemptions for companies investing in the US, goods are subject to different tariff rates on different components (e.g., steel and aluminum derivative products), and certain goods within the same product line can be exempted from tariffs (e.g., generic drugs and aircraft parts) while others are not.

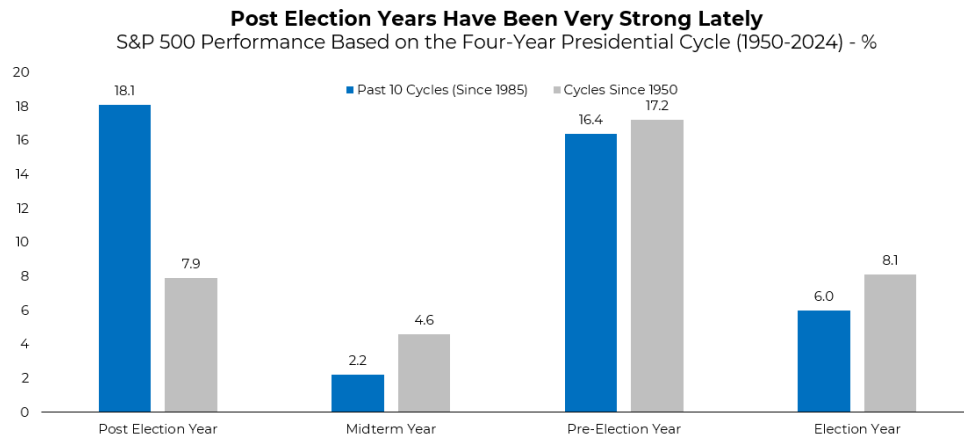


Volatility of Emotions; Not the Market

Washington, D.C. Had a Lot to Navigate in 2025, e.g., Tariffs, Corporate and Individual Taxes, Geopolitics, Debt Ceilings, etc.

Stocks Gain in the 1st Year of a New President...Unless there is a Recession

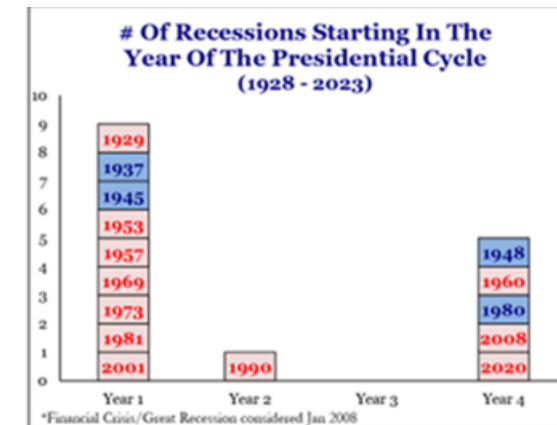
- The uncertainty over a new president's agenda is normal and we remember similar conversations happening with Obama, Trump, and Biden entering the presidency. Yet all three went on to produce +20% S&P 500 total returns during their first year. In fact, over the past two decades, the first year of a new presidency has historically been the strongest of the four-year term, with positive returns in 9 of the past 10 cycles.
- Not coincidentally, the biggest risk factor for stocks in the first year of a presidency is whether the US enters a recession, which was the last time the S&P 500 declined during the first year of a new president's term (2001). Nine of the past 15 recessions have occurred in the first year of a president's term. Interestingly, seven of these nine recessions occurred under Republican presidents. Trump broke that trend in 2017. He was the first Republican to follow a Democrat without a first-year recession since Harding in 1921.



Source: Carson Group, Data as of 9/30/25

Will Growth Slow Enough to Trigger a Recession?

- The key question for markets is how significant and lasting the drag on growth will be from today's high level of policy uncertainty. In other words:
 - Will tariffs weigh on sentiment and act as a drag on economic momentum?
 - With tariffs potentially capped, tax rates likely stable or lower, and regulatory policy possibly easing, will these factors provide a more meaningful boost to markets going forward?
- The critical judgment investors need to make is whether or not they think a recession is coming.
- Recessions Tend to Begin When Earnings Growth is Closer to 2%: One of the reasons we believe the bar for a recession is still high is that next twelve months ("NTM") earnings per share ("EPS") growth remains at around ~13%.



Source: Strategas, Data as of 9/30/2025

Recession Began During Presidency?	
Hoover	Yes (1st Year)
FDR	Yes
Truman	Yes
Eisenhower	Yes (1st Year)
Kennedy	-
Johnson	-
Nixon	Yes (1st Year)
Ford	-
Carter	Yes
Reagan	Yes (1st Year)
HW Bush	Yes
Clinton	-
W Bush	Yes (1st Year)
Obama	-
Trump	Yes
Biden	-



Impact of the Fed Rate Cut on Markets

With Inflation Now Easing, Though Sticky, Can the Fed Lower Rates Quickly Enough to Support a Slowing Economy?

Implications for Fixed Income Markets

There are three reasons the Fed would cut rates:

- 1) **The Economy is at Risk of Recession:** This is not a significant risk in the current environment with recent Atlanta Fed GDP projections at 3.1%... about as un-recessionary as it gets.
- 2) **Inflation Falling at a Rate Likely to Drop Below 2%:** This too is unlikely, as inflation seems to be edging down, but not quickly.
- 3) **The Economy no Longer Supports Maximum Employment:** This is the likely reason for the recent cut.

AGG Returns After Fed Cuts within 2% of All-Time High				
Date of Cut	1M	3M	6M	1YR
7/25/1980	-2.07%	-6.56%	-5.29%	-5.15%
1/11/1983	0.17%	3.31%	4.91%	8.36%
2/28/1983	0.26%	3.06%	-0.59%	7.33%
1/15/1985	2.28%	2.23%	10.95%	22.10%
5/20/1985	5.23%	5.97%	10.89%	26.78%
3/7/1986	3.11%	1.67%	7.87%	12.61%
4/21/1986	0.53%	1.19%	3.59%	8.73%
8/26/1986	2.49%	2.94%	6.25%	4.52%
7/31/1989	-1.42%	1.32%	1.07%	7.07%
7/13/1990	-0.06%	0.21%	5.11%	10.71%
3/8/1991	1.48%	2.05%	6.53%	12.36%
8/6/1991	0.83%	3.90%	6.51%	13.68%
10/31/1991	0.92%	2.53%	3.43%	9.83%
7/2/1992	1.02%	3.25%	3.53%	10.97%
9/4/1992	0.54%	-0.80%	4.87%	10.49%
7/6/1995	-1.26%	1.41%	5.28%	2.56%
1/31/1996	-1.15%	-2.97%	-2.18%	2.87%
7/31/2019	2.59%	1.63%	3.83%	10.07%
9/18/2019	0.51%	0.76%	4.14%	7.95%
10/30/2019	0.48%	1.85%	5.12%	6.83%
9/18/2024	-1.67%	-3.20%	-1.09%	2.66%
Average	0.70%	1.23%	4.29%	9.21%
Median	0.53%	1.67%	4.89%	8.73%
% Higher	71.4%	81.0%	81.0%	95.2%

Source: Aptus, Bloomberg, Data as of 9/30/2025

Strong Equity Markets Post Cuts at All-Time Highs

- The last twenty times that the FOMC cut policy rates when the S&P 500 was within 2% of all-time-highs, the index performed well over the following twelve months. During Q3 '24, the Fed cut rates when the market was at all-time highs, marking the 21st time this occurrence has happened.
- Historically, the market has been higher on every single occasion, over the next 1 year, resulting in an average return of 14.16% during the period. Though shorter periods, after the first rate cut tend to be more volatile. This probably shows the dichotomy between the reason why the Fed cut before a Fed Put was enacted.

S&P 500 Returns After Fed Cuts within 2% of All-Time High				
Date of Cut	1M	3M	6M	1YR
7/25/1980	3.60%	7.20%	7.50%	7.60%
1/11/1983	-0.50%	6.90%	13.50%	15.20%
2/28/1983	2.40%	11.10%	9.50%	7.60%
1/15/1985	7.30%	6.10%	14.00%	21.90%
5/20/1985	-1.60%	-1.80%	4.70%	24.50%
3/7/1986	3.50%	8.90%	11.00%	28.90%
4/21/1986	-3.50%	-3.50%	-2.40%	16.90%
8/26/1986	-8.30%	-2.10%	12.30%	33.20%
7/31/1989	1.10%	-3.20%	-6.00%	2.60%
7/13/1990	-8.10%	-19.80%	-14.20%	3.50%
3/8/1991	-0.30%	1.30%	4.10%	8.10%
8/6/1991	-0.10%	0.20%	6.10%	8.80%
10/31/1991	-2.80%	4.30%	5.20%	7.40%
7/2/1992	3.20%	1.10%	5.80%	9.00%
9/4/1992	-2.40%	3.60%	9.00%	10.60%
7/6/1995	0.90%	5.00%	11.50%	21.40%
1/31/1996	1.30%	2.90%	0.60%	21.50%
7/31/2019	-1.90%	1.90%	10.20%	8.90%
9/18/2019	-0.30%	6.20%	-19.90%	11.60%
10/30/2019	3.10%	5.90%	-7.10%	8.60%
9/18/2024	4.47%	4.85%	0.57%	19.56%
Average	0.05%	2.24%	3.77%	14.16%
Median	-0.10%	3.60%	5.95%	10.60%
% Higher	47.6%	76.2%	76.2%	100.0%

Source: Aptus, Bloomberg, Data as of 09/30/2025



Can Monetary Policy Throw a Lifeline to D.C.?

Recent Fed Actions Has Tossed D.C. and U.S. Treasury Scott Bessent a Lifeline via the Opportunity to Refinance at Lower Rates

Monetary Policy (Still Restrictive): Can the Gov't Strong Arm the Fed?

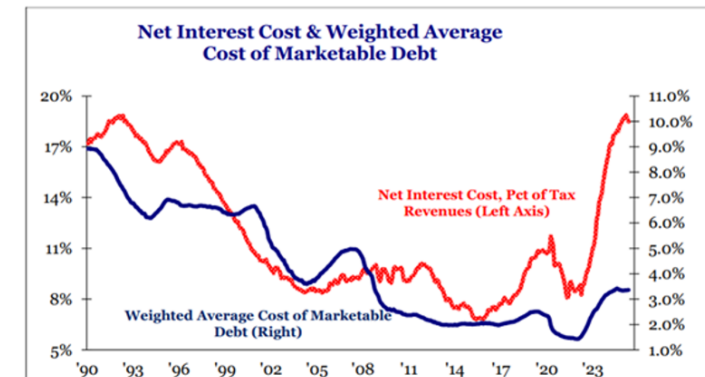
- The Fed has managed to keep rates higher for about 10 months on average after a pause – it took about this same time this go around. However, there appears to be a timing difference depending on the Treasury's debt servicing cost. Interestingly, with low debt servicing costs, the Fed was able to keep rates higher for longer. But when debt servicing costs were high, like they are today, the Fed's ability to keep rates higher lasted just a couple of months. The market just witnessed a string of rate cuts over the past 4 months (-1%).
- Yet; the recent Fed pause was only ~12 months. Scott Bessent, Head of the U.S. Treasury Department, has been issuing debt on the short end of the curve. With the recent 125 basis points in cuts and the expectation of more to come, the Fed is giving D.C. a lifeline to lower interest expense, opening capital to be utilized elsewhere, i.e., different ways to stimulate the economy.
- At the end of the day, it remains difficult to short stocks given the supportive liquidity environment from D.C.

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
9/17/2025	-25	4.00% - 4.25%
12/19/2024	-25	4.25% - 4.50%
11/8/2024	-25	4.50% - 4.75%
9/18/2024	-50	4.75% - 5.00%
7/25/2023	+25	5.25% - 5.50%
5/3/2023	+25	5.00% - 5.25%
3/22/2023	+25	4.75% - 5.00%
2/1/2023	+25	4.50% - 4.75%
12/14/2022	+50	4.25% - 4.50%
11/2/2022	+75	3.75% - 4.00%
9/21/2022	+75	3.00% - 3.25%
7/27/2022	+75	2.25% - 2.50%
6/17/2022	+75	1.50% - 1.75%
5/5/2022	+50	0.75% - 1.00%
3/17/2022	+25	0.25% - 0.50%

Source: FOMC, Aptus, Data as of 09/30/2025

Fiscal Policy (Expansionary): D.C. Will Continue to Spend

- Over the next 12 months, the U.S. government will have to refinance over 1/3rd of its debt, making lower rates preferable to keep interest expense more palatable, though this rhetoric flies in the face of what Jerome Powell and the Fed have been conveying to the market, especially after the recent Summary of Economic Projections.
- Additionally, Washington, D.C. continues to spend – once the water spigot has been turned on, it's difficult to turn off. Thus, the overall debt load continues to increase, even after a great season of tax collections. Coincidentally, when the market does well, D.C. gets increased tax revenue – a self-fulfilling prophecy to prop up the market, as it has the reverse effect if the market goes down. A common theme is that the rapid increase in the deficit is helping to prevent a recession, with the recent rise in discretionary federal spending contributing to the U.S. real growth rate over the past few years.
- The weighted average coupon rate of over 3.2% will likely increase.



Source: Strategas, Data as of 9/30/2025

“Government is like a baby. An alimentary canal with a big appetite at one end and no sense of responsibility at the other.” – Ronald Reagan





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The Good, The Bad, The Ugly

The GOOD / The BAD / The UGLY

The Good

The U.S. Consumer Continues to be Resilient

Despite tighter financial conditions, U.S. consumer strength continues to buoy the economy. Employment remains high, wages have held up, and the consumer has absorbed inflationary pressures better than expected. This resilience has been crucial in supporting ongoing economic growth in 2025.

Resilient S&P 500 Earnings

Despite some evidence of slowing growth, corporate earnings have remained robust. We believe that will continue in 2025 and 2026 because A) growth won't become a structural headwind on earnings, and B) corporations still have ample room to increase productivity and reduce costs.

The market is expecting annual earnings growth of ~13% in 2026.

The Bad

Fed Policy Error

The Fed just re-ignited their rate cutting cycle in September. With cracks in the labor force, some people may think that the Fed is behind the curve.

Historically, the Fed has always been late to move, but usually not too late to avert disaster.

Tariffs & Policy Uncertainty Add to Market Jitters

With trade tensions heating up and the 2024 election cycle still casting a shadow, renewed tariffs and unclear policy direction have emerged as headwinds. Business confidence and capital spending could be at risk if policy noise escalates further.

The Ugly

Slowing Economic Growth

When it comes to the economy, it's all about growth. We believe that investors don't need to see a significant increase in recession risk to cause a substantial pullback in stocks; genuine growth concerns can be enough, given current market valuations. The bottom line is to focus on growth, as slowing growth is likely to halt any rally.

The Labor Market is Seeing some "Cracks"

The balance of risks has shifted more towards failing on the employment side of the dual mandate than the inflation side

There has never been a recession that did not witness a material increase in the unemployment rate, which remains "full employment." But cracks have started to form over the past few quarters. Simply said, if employment and wage growth slows, so should the growth rate of the economy.





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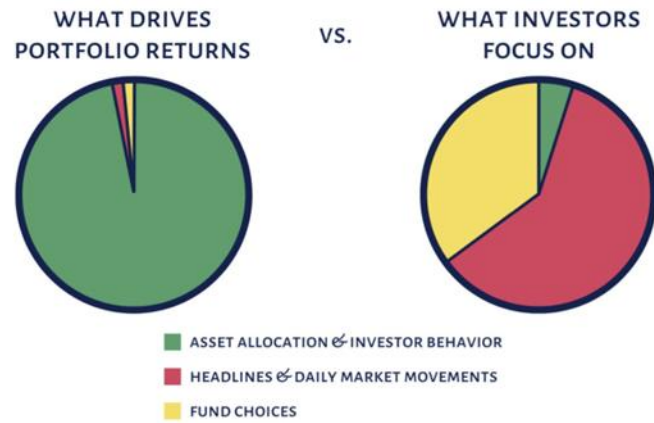
Asset Allocation

The Importance of Allocation Structure

Many Allocators Believe that Conviction of Exposures Drives Long-Term Results, But Research Shows That Structure is the Key to Success, Especially in Today's Environment

Why the Structure of the Asset Allocation is So Important

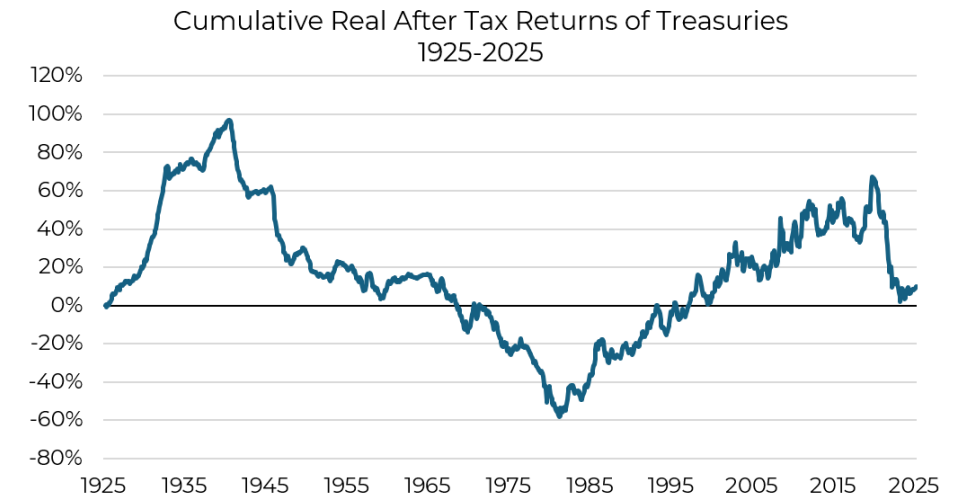
- When building a portfolio to meet specific objectives within investor constraints, it is critical to select a combination of assets that maximizes the likelihood of meeting that objective. The asset mix will ultimately dictate both returns and the variability of returns for the entire portfolio.
- The idea that structure outweighs exposures in importance is well-supported by research. The landmark 1986 study by Brinson, Hood, and Beebower found that asset allocation decisions account for 91.1% of a diversified portfolio's long-term return.
- Focus less on tilts and let your stocks act like stocks.



Source: Money Visuals

The 1980's-00's Experience of a 40% Bond Allocation is Unlikely to Repeat

- Investors often view fixed income through the lens of safety. However, an overemphasis on it in an allocation will likely erode purchasing power.
- After accounting for taxes and inflation, long-term Fixed Income returns is nearly 0.00%, which can silently inject longevity risk into a portfolio by not contributing to compounded growth.
- Investors should rethink traditional wisdom and heed to Yoda for investment advice: "You must unlearn what you have learned," as an over-reliance on the "40%" fixed income allocation may be doing your portfolio a disservice.



Source: Aptus Capital Advisors, Data as of 9.30.25

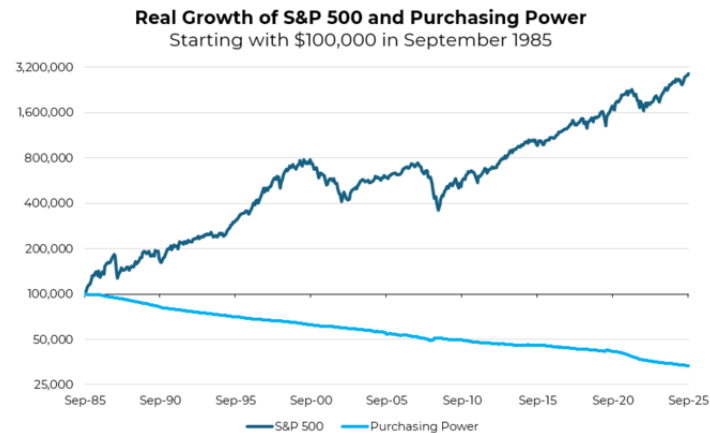


Asset Allocation Woes

Navigating the Increasing Complexity of Future Asset Allocation Decisions

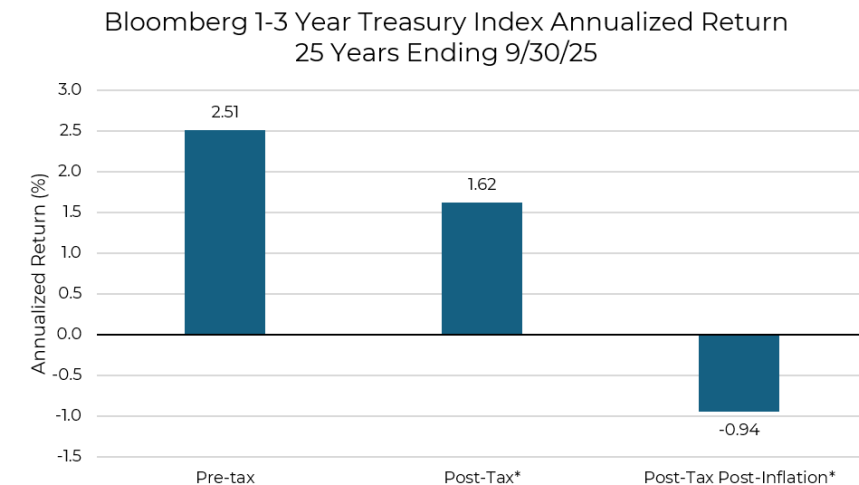
The Hurdle Rate for Investors is Higher Than They Think

- Investors face a choice between owning risk assets that can appreciate or holding a currency that can debase – there is no middle ground. While 'real returns' (nominal returns minus inflation) are often seen as a benchmark for wealth growth, we believe this view underestimates the actual hurdle rate required for long-term financial stability.
- We assert that the hurdle rate will align more closely with the increase in the money supply (M2) in the future. As the U.S. government continues to run a deficit, funding this debt through Treasury bond issuances leads to money supply growth, which in turn drives inflation.
- With money supply growth approaching 6%, we believe owning a significant allocation of risk assets (such as stocks) is essential to preserve and grow wealth.



Bonds Haven't Kept Up with Inflation

- Over the past decade, bonds have consistently lagged behind inflation, eroding real returns for investors relying on fixed-income assets.
- In contrast, stocks have materially outperformed inflation, delivering substantial gains and demonstrating the value of holding risk assets.
- This disparity highlights the importance of a diversified portfolio that leans toward equities, especially in an environment where inflation diminishes the purchasing power of bond returns.



Source: Bloomberg, Aptus as of 9/30/25

Historically, our government has been a beneficiary of inflation, as it has effectively reduced the real burden of large levels of debt. Funding initiatives through the erosion of purchasing power has proven to be less transparent and potentially less politically contentious compared to explicit taxation.



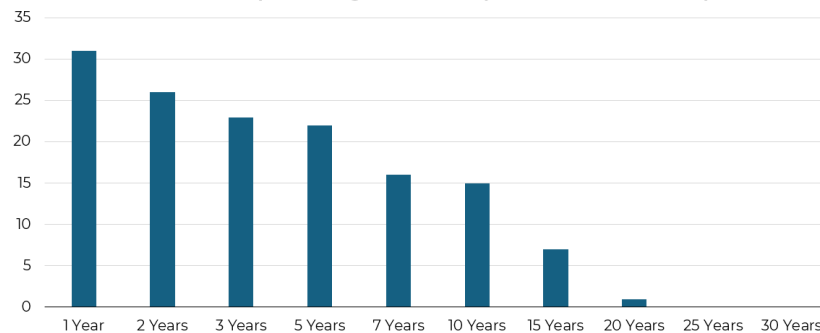
Don't Overweight Cash, Unless You're a Genius

While short term rates may appear attractive relative to equity valuations, history tells us that equity markets rarely are near their long-term averages.

Odds of Cash Outperforming Equities

- The average yield on cash since 1928 has been 3.3% (using 3-month Treasury bills as a proxy), but yields have fluctuated considerably over time, from 0% on the low end all the way up to 14% on the high end.
- Historically, the longer an investor holds cash, the lower their odds of beating the market. Over a five-year period, those odds dropped to 22%, and after 10 years, they fell to 16%. In every 25-year period (including for those who invested at the peak in 1929), an investment in the S&P 500 has outperformed cash.
- *What Does Sitting on Cash Cost an Investor?* Sometimes nothing, when markets are going down. This is particularly true during long bear markets. But much more often, it's costing you something, with that something increasing as the years go by. Over one-year periods, the average cost of holding cash has been roughly 8%. But over 30-year periods, this grows to more than 2,000%.

Odd of Cash Outperforming the S&P 500 (Total Returns 1928-2023) - %

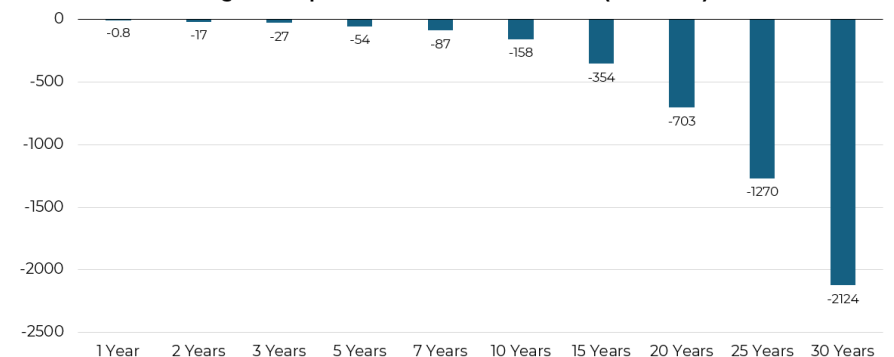


Source: Creative Planning as of 9/30/25

Will Waiting for a Bear Market Allow an Investor to Buy in at a Better Time?

- One of the main reasons that an investor holds onto cash is that they are waiting for a better entry point. For example, an investor is waiting for a 20% pullback in the market to put cash on the sidelines to work.
- *Looking at the Data:* How often would waiting for such a drawdown (i.e., 20%) allow you to buy in at a lower level than today? Going back to 1928, only 20% of the time. That means 80% of the time, even if an investor has the discipline to wait for a 20% decline before investing), when it finally comes, the market will likely be at a higher level than today.
- The lesson here is clear: If an investor is waiting for a large decline to get invested, one must be prepared to wait a very long time with the understanding that when the decline eventually comes, it could very well leave stocks at a higher level than today.

Average Underperformance: Cash vs S&P 500 (1928-2023) - %



Source: Creative Planning as of 9/30/25

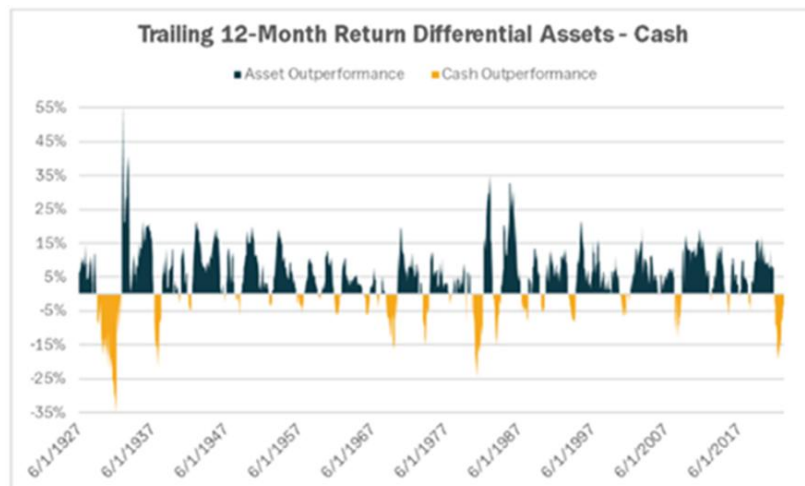


Cash Does Not Rule Everything Around Me (C.D.N.R.E.A.M.)

Effectively Timing the Market Requires Exceptional Skill. Fortunately, Diversification Allows Investors to Reap Comparable Performance Benefits.

Assets Historically Outperform Cash with High Frequency and Magnitude

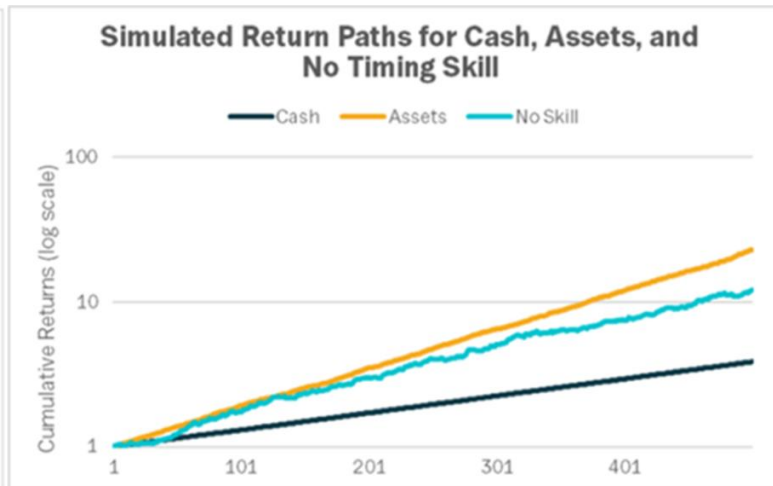
- In 2022, cash had a rare year in which it outperformed almost every asset class as most investments experienced drawdowns, delivering positive nominal returns. In today's environment, investors may feel further encouraged to sit out of the market given the view that there is not a big yield penalty to sit on cash. While investors may be torn between holding cash and taking on risk, history tells a clearer story: market timing requires an exceptional level of skill to improve returns.
- Cash rarely outperforms a diversified basket of assets, as shown by the figure below showing trailing 12-month return differentials. A basket that includes stocks (30%), bonds (55%), and broad commodities (15%) outperformed cash in 65% of the months.



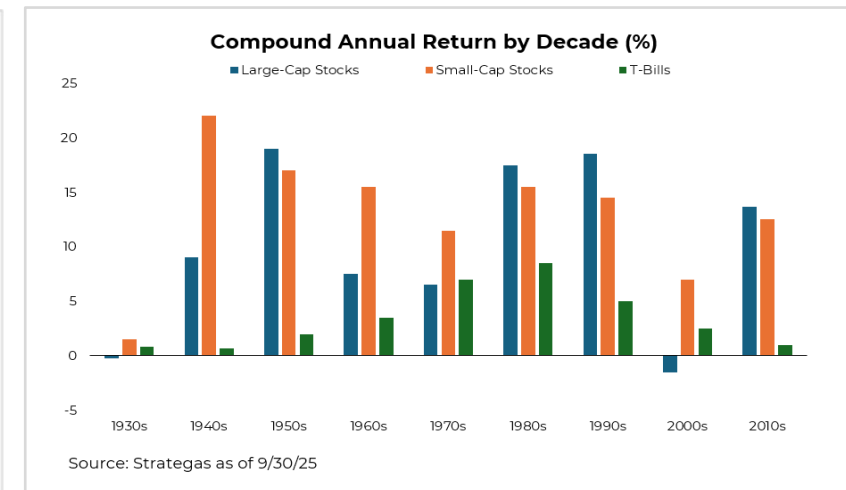
Source: Unlimited Analysis, FRED, Data as of 9/30/2025

How Skilled at Market-Timing Do You Have to Be?

- The chart below illustrates a random selection between cash and assets each month, simulating an investor with a 50% success rate (i.e. no skill) in market timing. The results show that such random market timing yields significantly lower returns compared to staying fully invested. Consistent exposure to assets it pays to remain invested.
- Even a 67.5% accuracy (i.e. better in a bit more than 2 of 3 months) only achieves a similar gross return as a consistent asset allocation over the course of 500 months aligned with how often a diversified allocation outperforms cash.
- Diversification is the primary strength of any portfolio. Timing is hard.



Source: Unlimited Analysis, FRED, Data as of 9/30/2025



Source: Strategas as of 9/30/25

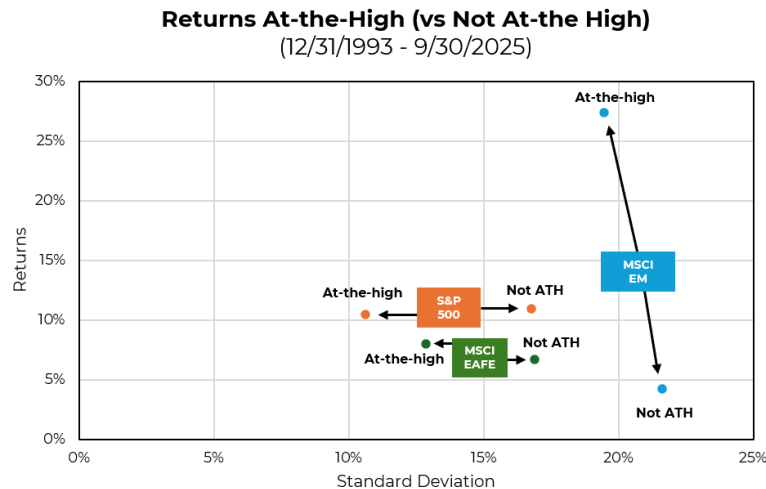


Don't Fight the Market

Strong Performance Tends to Beget Stronger Performance – Don't Sell at All-Time Highs - *Stay Invested*

It Pays More to be Patient than Clever

- Contrary to common belief, approaching or hitting new all-time highs in the equity markets may not be the harbinger of impending downturns that some perceive. In fact, historical data reveals an intriguing trend: stock markets around the globe have generally exhibited stronger risk-adjusted performance (often similar or higher returns with lower risk) when scaling new heights.
- This empirical evidence challenges the notion that market peaks should evoke caution or push investors out of return-seeking investment strategies. Instead, it suggests an opportunity for investors to reassess their perspectives of all-time highs, viewing them not as warning signs but as potential indicators of continued growth and stability in the markets.

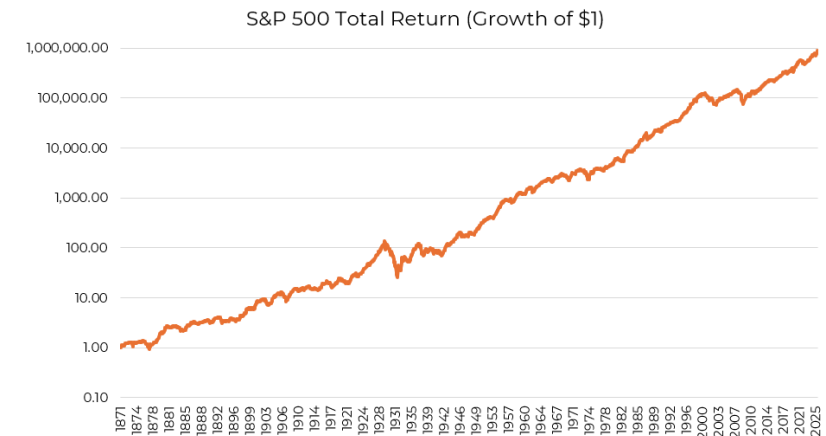


Source: Bloomberg, Aptus as of 9/30/25

At Every Point on this Chart, Investors Could Have Made a Plausible Case That:

- The S&P 500 is overvalued,
- The future was dim,
- That two world wars would cause a market collapse,
- The young generation was lazy, and
- Politicians were going to screw something up.

....And they've been wrong.



Source: Bloomberg, Aptus as of 9/30/25

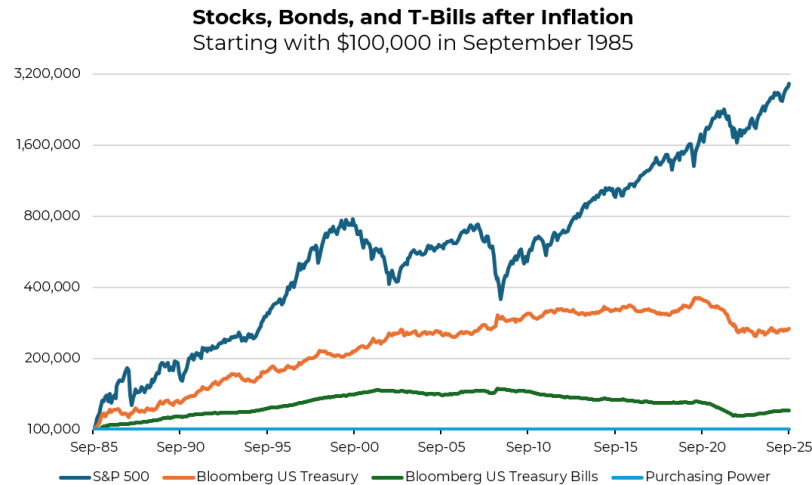


Asset Allocation Hot Spots

Time to Retire the Phrase: *T-Bill and Chill*

Though Investors May Feel “Safe”, *T-Bill and Chill* Has Not Worked

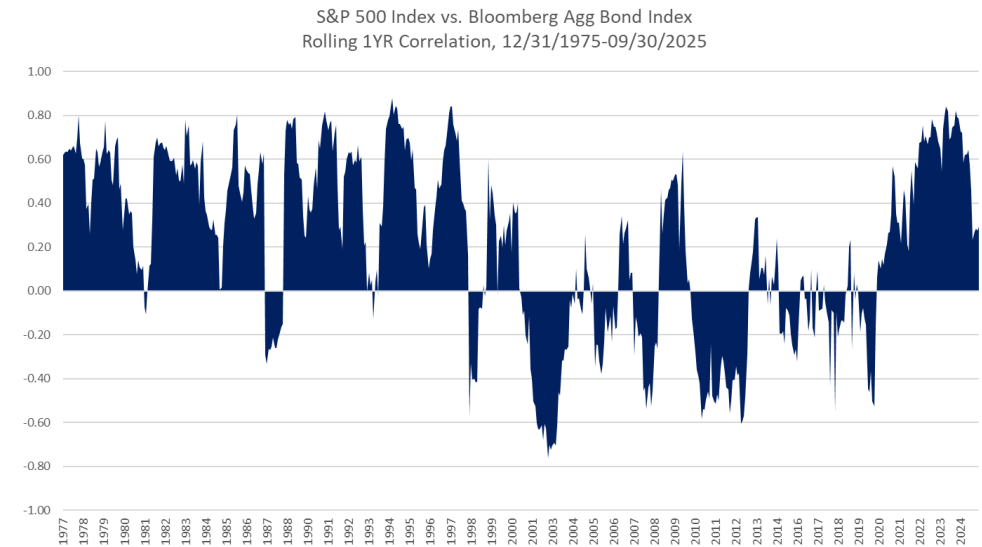
- Historically, stocks have outpaced other asset classes, supporting our preference for "More Stocks, Less Bonds." This reinforces the value of looking past short-term noise and embracing strategies that combine growth potential with downside protection.
- Risk assets tend to reward long-term investors.
- Long-term compounding benefits can be missed by those stuck in "T-Bill and Chill" mode.



Source: Bloomberg, Aptus as of 9/30/25

Portfolio Volatility as Correlations Rise

- Historically, stock/bond correlations were negative during low-inflation periods and turned positive in high-inflation environments. We're mindful of near-term disinflationary pressures but believe inflation is likely to stay above the Fed's 2% target for longer.
- Although there are short-term catalysts for disinflation, we expect stickier than expected inflation, leading to positive stock/bond correlations and favoring alternative sources of protection.



Source: Aptus Capital Advisors, Data as of 09/30/2025

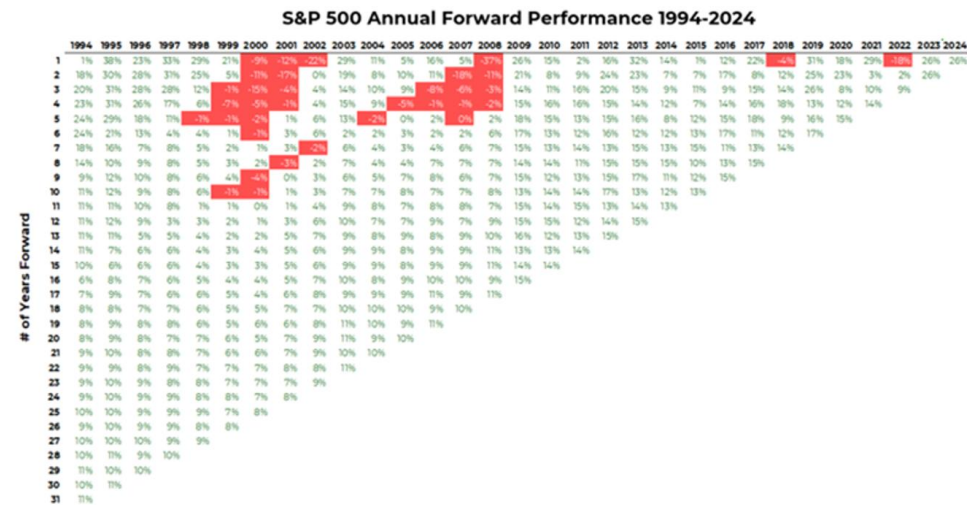


The World Can Only End One Time

There's a Lot of Certainty in an Environment Where There is a Lot of Uncertainty

It Pays to Be a Rational Optimist

- Pessimism about the long-term does not align in any way with a historic worldview. Investors can choose to believe that right now is the beginning of the end, but that is a bet against all of human history and against human nature itself. As has always been the case, progress occurs against an inevitable backdrop of catastrophe. Always has, always will. Invariably, you can always find what you go looking for and your investment results will probably mimic that worldview.



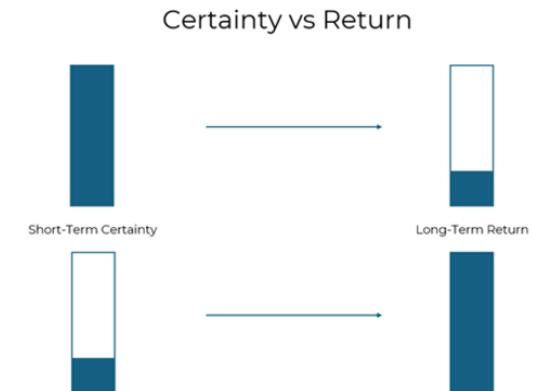
Source: Aptus Capital, YCharts, Data as of 9/30/2025

"Pessimism just sounds smarter and more plausible than optimism – tell someone they're in danger and you will have their undivided attention"
-Morgan Housel

Invest Unemotionally for Better Long-Term Results

- The more certainty you seek from your portfolio in the short term, the lower your long-term returns will be and the lower your long-term returns are, the probability of achieving your investment goals will decrease in lockstep.
- Just \$1 invested in the S&P 500 in 1922 would be worth nearly \$13,800 today, so where are all the historical could-have-been billionaires? The missed opportunities are not because of wars, recessions, or crises, but because of investor behavior.
- Conclusion: It is not adverse market conditions that derail compounding; it's investors' reaction to them.

Investor behavior derails compounding.



Source: Money Visuals, For Illustration Purposes Only

Conceptual Illustration

Information presented in the above charts are for illustrative purposes only and should not be interpreted as actual performance of any investor's account. As these are not actual results and completely assumed, they should not be relied upon for investment decisions. Actual results of individual investors will differ due to many factors, including individual investments and fees, client restrictions, and the timing of investments and cash flows.

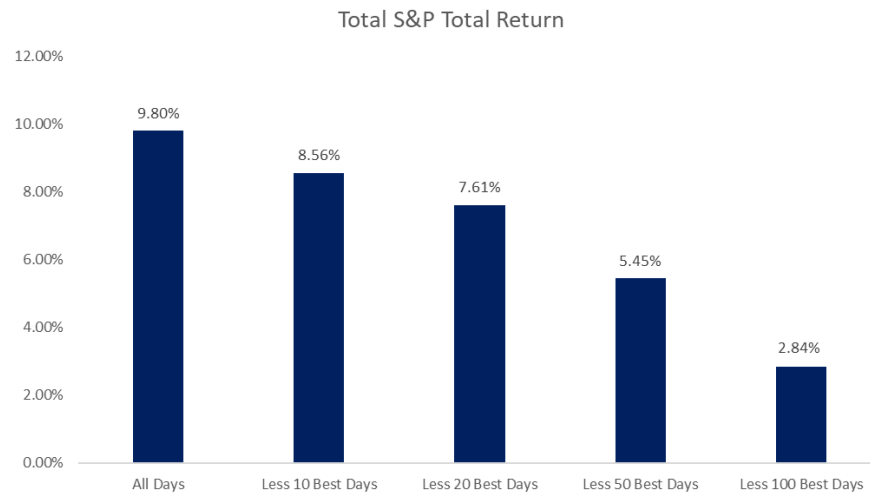


Consistent Behavior Breeds Winners

At the Top, Everyone's Time Horizon Extends to Infinity. At the Bottom, It Collapses Into 'Today.'

Stay Invested for Long-Term Gains

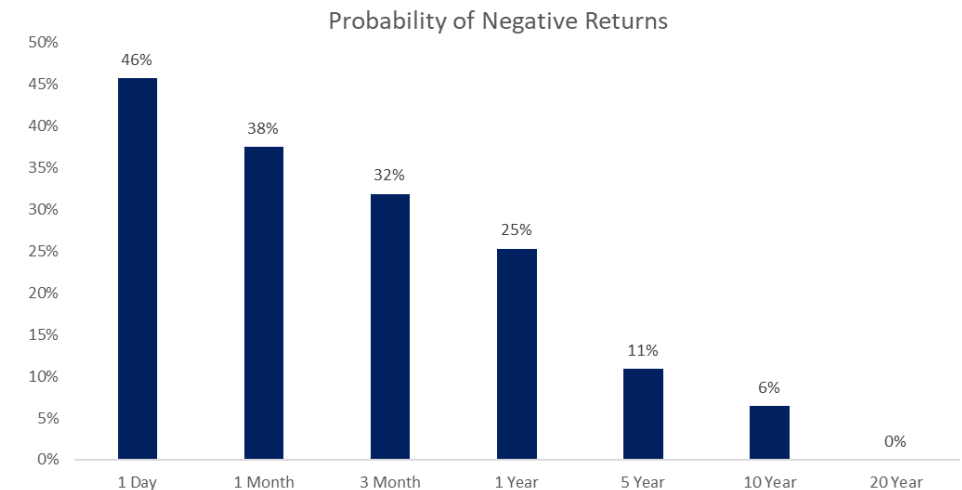
- **It Pays to Stay Invested:** The U.S. stock market has a history of resilience, consistently recovering from short-term crises to achieve long-term growth. Staying invested through volatility is essential.
- **Timing the Market is Dangerous:** Attempting to time the market by predicting the best moments to buy and sell often leads to missing significant gains. Expanding your time horizon is the most reliable strategy to avoid losses.
- **Eliminate the Behavior Gap:** A shorter time frame can lead to emotional decisions and excessive trading, known as the 'behavior gap.' This often results in poor outcomes. Focus on long-term goals instead.



Source: Bloomberg LP, Aptus Research. Data 12/31/1927 - 09/30/2025

Expand Your Time Horizon for Better Results

- No one ever knows what the market is going to do – especially on a daily basis – volatility tends to breed more volatility – whether it's up or down.
- Investors focus too much on the short-term “noise” in the market. There is usually a great deal of variability in the day-to-day, with different economic, geopolitical, and company-specific news constantly moving markets.
- Focus on a long-term investment horizon, where the probability of negative returns diminishes significantly.



Source: Bloomberg LP, Aptus Research. Data 12/31/1927 - 09/30/2025

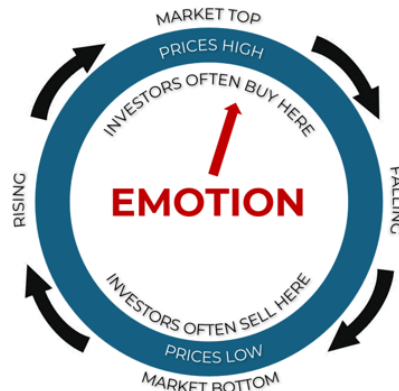


Staying Focused on Long-Term Goals

We Continue to Advise That Clients Stay Invested

Avoid Emotional Investing

- **Problem:** Investors often make poor decisions when emotions drive actions.
- **Solution:** Stay focused on your long-term goals and carefully consider all options.
- **Don't Buy High, Sell Low:** Have you heard the old investment adage, "Buy low, sell high"? Strong emotions during market swings can tempt investors to do the opposite.
- **The Impulse to "Do Something":** Taking action during a downturn may feel right, but sometimes, inaction—staying invested—is the best choice for long-term success.



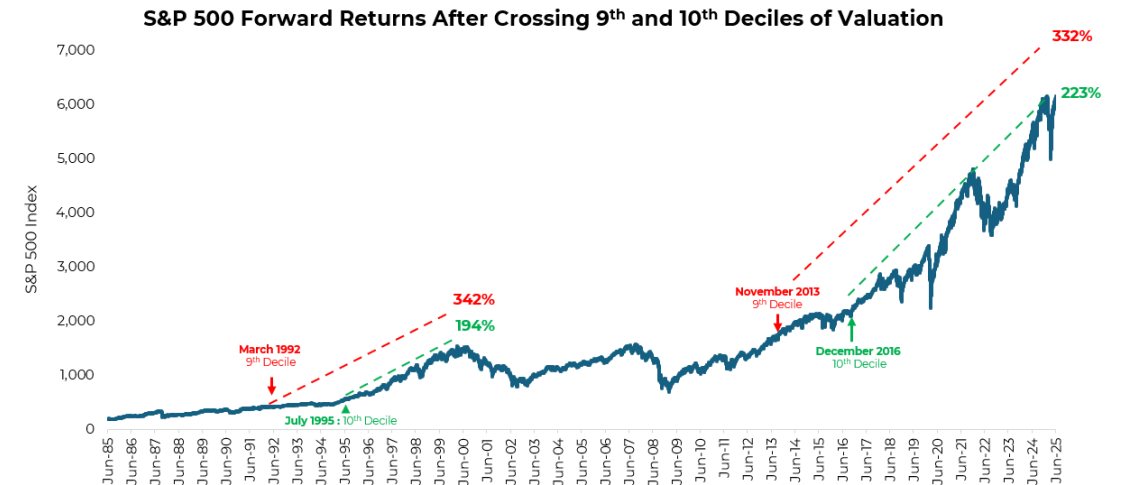
Source: Money Visuals, For Illustrative Purposes Only

Conceptual Illustration

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Valuation Alone Shouldn't Dictate Investment Decisions

- Although valuations "feel" elevated—standing in their 8th historical decile—high absolute valuations have not been a reliable timing signal in the past. As seen in the chart below, previous periods where the market entered the 9th or 10th valuation decile still experienced strong subsequent returns, highlighting the penalty for exiting equities prematurely based on valuation alone.
- Don't let high valuations scare you away from staying invested.



Source: Aptus, Data as of 6/30/2025





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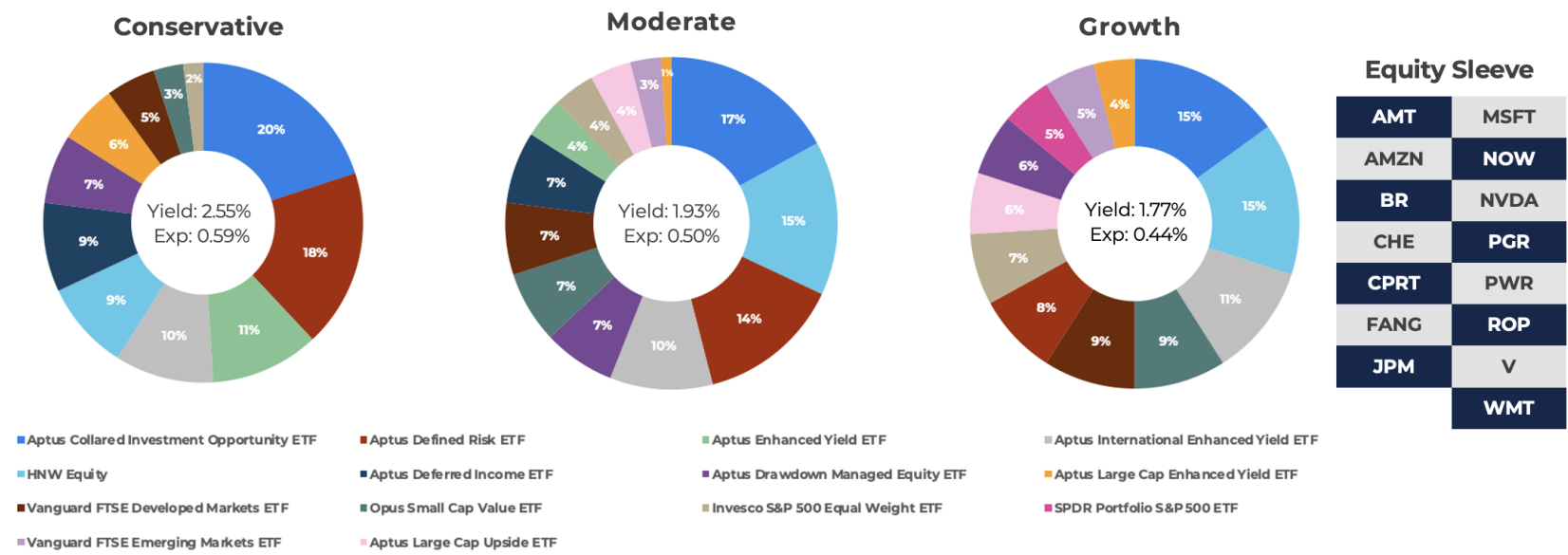
The Aptus Impact Series

Client-Specific Growth & Income Targets

Conservative Allocation: Designed with the primary objective of stability and protection, plus opportunity for appreciation. Reducing drawdown is the foundation, with lower exposure to traditional equities.

Moderate Allocation: Designed with flexibility to dynamically adjust exposure as risks & opportunities change. Balancing the reduction of both drawdown and longevity risk is the goal, designed to capture market returns while mitigating significant declines. Nearly half of the equity exposure contains some form of explicit hedging.

Growth Allocation: Designed to accumulate wealth through equities. Reduced drawdown remains a feature but with a greater emphasis on reducing longevity risk by harnessing the compounding power of stocks.



Disclosures

Past performance is not indicative of future results. This material is not financial advice or an offer to sell any product. The information contained herein should not be considered a recommendation to purchase or sell any particular security. Forward looking statements cannot be guaranteed.

Projections or other forward-looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

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The 2 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 2 year.

The 10 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the "risk free" rate when valuing the markets or an individual security.

This is not a recommendation to buy, sell, or hold any particular security. The holdings shown above are target portfolio weights and do not reflect the entire portfolio. The holdings are sorted by target portfolio percentage weight then alphabetized within each asset range. Actual portfolio investments will vary when invested. A complete list of holdings is available upon request.

Information presented on this presentation is for educational purposes only and offers generalized speech. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Information specific to the underlying securities making up the portfolios can be found in the Funds' prospectuses. Please carefully read the prospectus before making an investment decision. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy.

The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing). The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

The Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back+170 to the beginning of the century. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Derived from the price inputs of the S&P 500 index options, it provides a measure of market risk and investors' sentiments.

Treasury Inflation-Protected Securities, or TIPS, provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index.

The Bloomberg US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. The MSCI EAFE Index consists of the following 21 developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Investment-grade Bond (or High-grade Bond) are believed to have a lower risk of default and receive higher ratings by the credit rating agencies. These bonds tend to be issued at lower yields than less creditworthy bonds.

The S&P 500® Index is the Standard & Poor's Composite Index and is widely regarded as a single gauge of large cap U.S. equities. It is market cap weighted and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

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Investing involves risk. Principal loss is possible. Investing in ETFs is subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of the shares may trade at a discount to its net asset value (NAV), an active secondary market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a fund's ability to sell its shares. Shares of any ETF are bought and sold at Market Price (not NAV) and are not individually redeemed from the fund. Brokerage commissions will reduce returns. Market returns are based on the midpoint of the bid/ask spread at 4:00pm Eastern Time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Diversification is not a guarantee of performance and may not protect against loss of investment principal. ACA-2509-24.

