

NEWSLETTER

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3 BIG THINGS

1

We are so back. Unfortunately I'm not talking about Husker football (yet.) Rather, the Fed cutting interest rates. September saw a return to rate cuts from the Federal Reserve. Markets cheered the 25 basis point decrease in rates. According to the FactSet US Monthly recap, if history is any guide, rate cuts near all-time highs have led to strong returns as the previous 16 times cuts have occurred within 1% of highs the next 12 months return 15% on average.

2

The end of September brings us to the end of the third quarter. It's hard to believe we saw a 5% decline in Q1 and that deepened to nearly a bear market (20% decline) now that we sit up double digits across several equity markets globally. 2025 has been a great year for globally diversified portfolios. With international markets leading the way, our portfolios with only about 70% equity have kept pace with the S&P 500. International markets have had a lot to do with this, but don't forget about bonds. Despite it being a challenging last few years, bonds are doing their part with the Bloomberg Aggregate Index up over 6% as of this year.

3

Headlines toward the end of September turned to a potential government shutdown. As I write this newsletter on the third, that has come to a reality. What does this mean for markets? There have been 22 shutdowns dating back to 1976, some have seen market gains and others have seen losses. Most only last a few days and on average the market is up 0.3%. So, despite the headlines around this risk if history is a guide we shouldn't be overly concerned with the shutdown news.

Quote of the month: "In investing, what is comfortable is rarely profitable." – Rob Arnott

MARKET QUICKTAKES

ECONOMIC INSIGHTS IN A NUTSHELL

As a whole there was a lot of positive momentum for the economy throughout September. Manufacturing PMI improved for only the second month this year. Services jumped by their most in 2025. This comes in a time when uncertainty around trade policy is easing and economic policy uncertainty is easing as well. Both of these things are flowing through to corporate capex plans improving. September also saw a spike in new single family home sales and same store retail sales remain strong. All of this sounds great BUT we saw yet another weak employment print with only 22k jobs added. This is the fourth consecutive month of missing expectations and the job market is now demanding the interest of the Fed as comments were made with the interest rate cut that risks to employment outweigh risks in higher inflation at this point.

STOCKS

Growth stocks had an impressive month up over 5%. This included some large moves by some of the biggest names including Google and Oracle. But not to be outdone, emerging market stocks were the best performer on the month up over 7%. In general all major markets were positive in September finishing out the third quarter strongly and adding to yet another strong market year thus far. While not leading on the month, small company stocks did finish the third quarter as the best performer.

FIXED INCOME

In bond land we saw positive returns across asset classes as well. The anticipation and then realization of the 25 basis point cut lowered rates across the curve and increased bond prices. Municipal bonds which have struggled this year had the best month up over 2%. Due to their struggles these tax free bonds are now exhibiting some very attractive yields. If you have cash still sitting on the sidelines, tax free bonds may be a great place to put money to work.

COMMODITIES

Ho Hum. Just another 10% rise in gold during September. The precious metal continues to make new all time highs. Silver has had tremendous performance as well and returned nearly 15% during the month. Agricultural prices pulled back slightly as did cattle prices much to the delight of someone who has been paying far too much to grill steaks this summer!

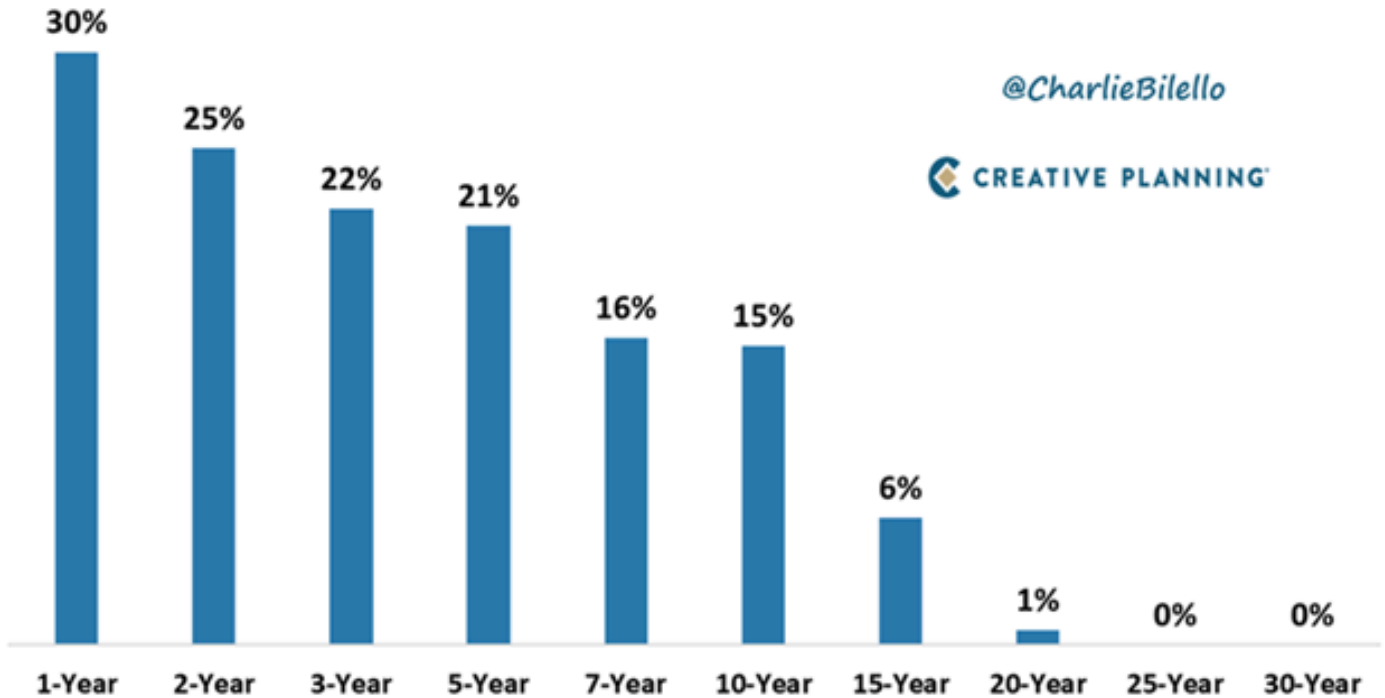
VIEWS FROM MARKET STRATEGISTS

Does sitting in cash feel good right now when for the past couple of years you've earned north of 4%? Sure! But while cash itself may be risk free there is a significant opportunity cost by sitting in cash. As the Fed has resumed its cutting cycle, rates appear to only be going lower yet on cash and cash like securities. History shows us that holding cash very rarely outperforms the stock market, especially over longer time periods. Now, are there reasons to hold cash? Absolutely! But if you are doing so because the returns have been decent it may be time to re-evaluate because the longer we stay in cash the odds shift strongly against us that we are likely better off invested in the market.



Historical Odds of Cash Outperforming S&P 500

(Monthly Total Returns via S&P Dow Jones,
1928 - 2024, Cash = 3-Month T-Bills)



@CharlieBilello

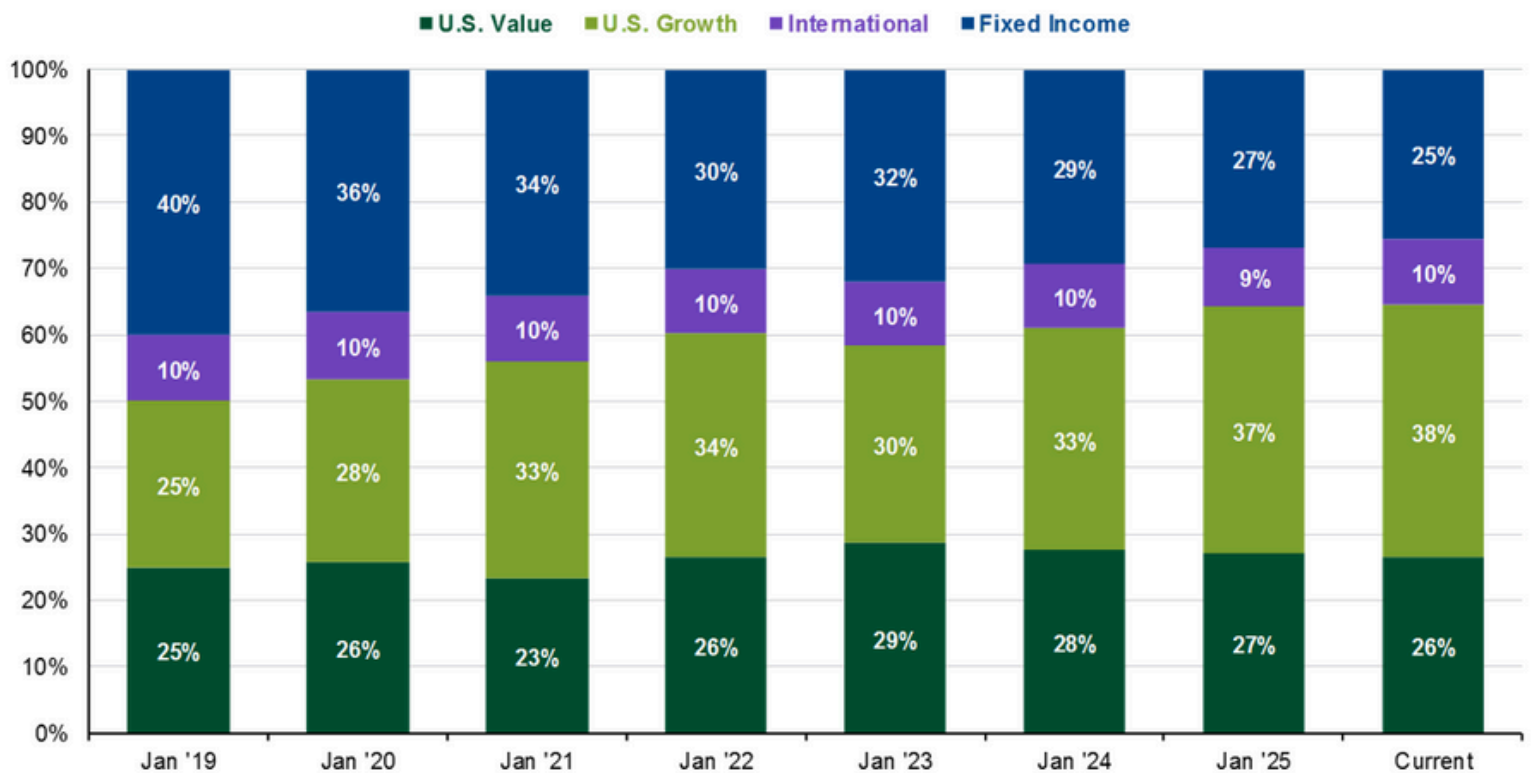
CREATIVE PLANNING

EVERGREEN REMINDERS

For those of you that watch your accounts closely and are in the managed program you likely saw many transactions at the end of the month. While some portfolio changes were made, we also used the changes as an opportunity to rebalance accounts. The chart below outlines why rebalancing periodically can be very important. An account that at one point was 60% equities and 40% fixed income drifted without any portfolio activity to only 25% fixed income 6 years later. The account shown in the current column would likely have a drastically different amount of risk in it than the original. We discuss asset allocation and the importance of it often, rebalancing accounts periodically ensures that we are sticking to our targets and managing risk to the level we are comfortable for each client at all times.

60/40 portfolio composition by asset class

Start of 2019 - current, no rebalancing



Source: Bloomberg, FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Standard asset allocation at the start of 2019 assumes 60% weight to global equities and 40% to U.S. fixed income. U.S. Value: Equal-weighted Russell 1000 Value and Russell 2000 Value, U.S. Growth: Equal-weighted Russell 1000 Growth and Russell 2000 Growth, International: MSCI ACWI ex-US, Fixed Income: 10% Bloomberg Global HY Index and 30% Bloomberg U.S. Aggregate. Past performance is no guarantee of future results.

LIFESTYLE HACK

It's pumpkin carving season. Here are a few tips to make those pumpkins last longer on your front porch.

1. Soak pumpkins for 3 minutes in a solution of 3 gallons of water to three teaspoons bleach. This will keep mold at bay and make it less attractive to wildlife as well.
2. After carving rub petroleum jelly on the carved areas. This will protect the surface and seal in moisture, preventing the pumpkin from getting dry and shriveled.

TECH TIP

Is your iPhone continually telling you that you don't have room for my photos? Here are a few ways to free up memory on your phone.

1. Delete apps: Go to Settings > General > Storage & iCloud Usage > tap "Manage Storage" to get a full report on what apps are taking up the most space. Who really needs a compass on their phone?
2. Delete old conversations: Go to Settings > Messages > Message History > Keep Messages > then select a time frame of 30 days, one year, or forever. This can automate getting rid of the six texts from your dentist confirming your upcoming cleaning.

LOCAL EVENTS THIS MONTH

- The Jonas Brothers are playing at CHI Health Center Monday October 6th.
- Grease is at the Omaha Community Playhouse the weekend of the 8th through the 12th.
- Junkstock returns with their Harvest edition on October 10th out at Sycamore Farms.
- Head out to Village Pointe on the 11th for Boo Bash an afternoon of festive fun for kids.
- More Halloween themed fun takes place at Werner Park on the 24th with Baseballoween.
- October 25th there will be trick or treat stations, activities, and an evening movie at Heartland Park at the RiverFront.
- Mumford & Sons is playing on the 26th at CHI Health Center.

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

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