



INVESTMENT OUTLOOK – OCTOBER 2025

## **2025 Third Quarter Investment Report**

### **A Solid Quarter**

It was a solid third quarter as most equity asset classes finished higher, supported by strong corporate earnings, steady economic growth and benign inflation data. Financial markets were also pleased about a more dovish Federal Reserve which lowered the benchmark interest rate by 0.25% in September.

For the second quarter, the S&P 500 was up +8.1%, US Small Cap was up +12.5%, International Developed was up +4.5% and Emerging Markets were up +10.0%.

Fixed income investors also enjoyed a positive quarter as the Federal Reserve's interest rate policy helped shift bond yields across the entire yield curve lower. Short term Treasuries gained +1.1% while intermediate Treasuries rose +1.7%.

U.S. small capitalization stocks and companies tied to artificial intelligence were standout winners. As in previous quarters, the largest companies in the U.S., the Magnificent Seven, outperformed the average stock in the large capitalization index. Developed international markets posted positive results as well but lagged on a relative basis. Overall, diversification across asset classes provided a solid foundation for investors, offering balance and in many cases higher risk adjusted returns.

So far, 2025 is shaping up to be another strong year for equities despite this past Spring's tariff-induced correction.

Looking ahead, the outlook appears mostly good. The U.S. economy shows resilience supported by strong corporate earnings and increased capital investment. On the other hand, employment has softened and sentiment indicators have trended lower. With inflation data coming in relatively friendly, the Federal Reserve does have more room to pivot interest rate policy to an easier, growth-friendly stance. Additionally, policy makers appear more focused on job stability rather than inflation risks, which means the current easing cycle could extend further than expected, providing an ongoing tailwind for both stocks and bonds.

As equity market indices reach new all-time highs, it is understandable to wonder whether now is a good time to get defensive. History reminds us that record levels are not unusual – they are a natural part of long-term market progress. On the other hand, consistently timing pullbacks is nearly an impossible task. Missing just a handful of

strong days, which often occur right after periods of volatility can significantly diminish one's long term returns. Rather than reacting to headlines, the focus should remain on maintaining the appropriate asset allocation in line with one's investment goals. For the majority of investors, the goal of investing isn't to buy low and sell high, rather it is to stay invested through the cycle, capturing the market's long-term upward bias while managing risk intelligently. Whether markets are making new highs or drawing down, discipline and diversification remain the most reliable sources of long term success.

\*\*\*\*\*

Enclosed are your investment reports for the last quarter. Please feel free to contact me if you would like to discuss our investment strategy for the upcoming quarter. Thank you for your continued trust and confidence.

Sincerely,

Justin Kobe, CFA  
Founder, Portfolio Manager & Adviser  
Pacificus Capital Management



Sources:

The Wall Street Journal: [https://www.wsj.com/market-data?mod=nav\\_top\\_subsection](https://www.wsj.com/market-data?mod=nav_top_subsection)

J.P. Morgan Asset Management <https://am.jpmorgan.com/us/en/asset-management/liq/insights/market->

S&P index data: <https://www.spglobal.com/spdji/en/indices/equity/sp-500/#overview>

International indices: <https://www.msci.com/real-time-index-data-search>

Treasury market rates: <http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/>

---

Advisory services through Cambridge Investment Research Advisors, Inc., a Registered Investment Adviser. Securities offered through Registered Representatives of Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Cambridge and Pacificus Capital Management are not affiliated.

Material discussed is meant for general illustration and/or informational purposes only, and it is not to be construed as investment, tax, or legal advice. Although the information has been gathered from sources believed to be reliable, please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice. These are the opinions of Justin Kobe and not necessarily those of Cambridge Investment Research, are for informational purposes only, and should not be construed or acted upon as individualized investment advice.

Investing in the bond market is subject to risks, including market, interest rate, issuer credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies is impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Diversification and asset allocation strategies do not assure profit or protect against loss.

Indices mentioned are unmanaged and cannot be invested into directly. The S&P 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S. The Russell 2000 Index is a stock market index that measures the performance of the 2,000 smaller companies included in the Russell 3000 Index. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries. The MSCI Emerging Markets Index is a market capitalization weighted index comprised of over 800 companies' representative of the market structure of the emerging countries in Europe, Latin America, Africa, Middle East, and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.