

Quarterly letter Q3 2025

Brown Lisy Wealth Management Group

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UBS Financial Services Inc.

One North Wacker Drive
Chicago, IL 60606
312-525-4187
312-525-4635
877-225-7945 fax

[advisors.ubs.com/
brownlisygroup](https://advisors.ubs.com/brownlisygroup)

"Change is the law of life. And those who look only to the past or present are certain to miss the future."

-John F. Kennedy

The third quarter of 2025 saw the S&P 500 rise 8.12%, bringing its year-to-date gain to 14.83% through September 30th. [1] Since the market's intraday low on April 8th, the S&P 500 has climbed an impressive 36.2%. [2] Much of this strength has come from technology and communications companies (related to Artificial Intelligence) [3], as well as optimism around the potential for further Federal Reserve easing, following the first rate cut of the year in September. [4] You've heard us emphasize numerous times the importance of staying focused on your long-term goals and financial plan. The issue which dominated the third quarter, and the past year, continues to be Artificial Intelligence. In recent days we have seen several headlines about hundred-billion-dollar AI deals. The expected massive growth in AI means massive demand for data centers, semiconductors, electricity generation, cooling technologies, and cybersecurity. It's a bull market for all things AI. We've seen this before, and we're reminded of Amara's law: "We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run." We certainly have significant exposure to AI through our portfolio holdings, and we expect those stocks to continue to contribute to your investment returns in the future. However, we've learned to avoid the most speculative stocks, with no/limited earnings and massive valuations, which seem to get plenty of attention as the AI bull market roars on.

Uncertainty is a constant. We continue to face challenges related to trade, tariffs, geopolitics, and internal strife. As we write this letter, the U.S. government is shut down which may result in additional government employee layoffs and/or additional spending cuts, and no one knows how long it will last. There have been 20 government shutdowns since 1976, and historically, on average, the S&P 500 has been flat during these shutdowns. [5] It's important to remember that events like these are part of the long-term investing journey.

We remain cautiously optimistic. Current U.S. market valuations imply continued strong earnings growth (which may or may not materialize). While U.S. market valuations remain elevated, monetary and fiscal policy may continue to support the economy and financial markets. While inflation remains stubbornly above the Fed's 2% target, we're seeing signs of a weaker labor market.[6] The weaker labor market may give the Federal Reserve the green light for additional rate cuts, and current market expectations imply two additional rate cuts in 2025.[7] On fiscal policy, the One Big Beautiful Bill is expected to support U.S. economic growth through tax cuts and fiscal stimulus, especially for companies that are reshoring manufacturing. At the same time, global trade dynamics and ongoing geopolitical tensions mean that security—both in defense and in access to essential goods—should remain a major theme. Countries are likely to invest heavily in infrastructure, supply chains, and energy to ensure resilience.

Speaking of The One Big Beautiful Bill, there are changes related to income tax planning, wealth transfer planning and charitable giving that may apply to you. Let's make sure we talk or meet in the coming weeks. Especially if you are planning any year end charitable giving.

As always, we remain focused on your goals and the companies we own. Markets will overreact to change in both directions. Our conviction remains that patience and discipline will be rewarded. If your financial situation has changed, it would be a great time to update us so we can adjust your portfolio accordingly.

Thank you for your continued trust and confidence.

Kristan, Grant and John

- 1] UBS Global IM Portfolio Strategy Month-End Market Update (9/30/25)
- 2] FactSet
- 3] UBS Global IM Portfolio Strategy Month-End Market Update (9/30/2025)
- 4] UBS House View Briefcase (9/29/25)
- 5] MFS Market Insights (10/1/2025)
- 6] JPMorgan Guide to the Markets (9/30/25, slide 19)
- 7] FactSet

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PMP is not appropriate for clients who: (i) want to maintain trading control over their account; (ii) seek a short-term investment; (iii) want to maintain consistently high levels of cash, money market funds, or invest primarily in no-load mutual funds; (iv) want to maintain highly concentrated positions that will not be sold regardless of market conditions; or (v) who anticipate significant withdrawals from the account.

Financial Advisors who participate in the PMP Program may also provide services to you and to other clients outside of the Program in their capacity as broker-dealer representatives and as such, may dedicate time to activities other than discretionary portfolio management. Financial Advisors who participate in the PMP Program have an incentive to recommend their services in PMP over those of third party SMA Managers in other Advisory Programs or over traditional commission based brokerage services.

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