



Key Points

- We believe the relentless advance of the stock market since the lows in April can be justified by positive fundamental developments.
- We also believe markets are currently pricing in a lot of good news.
- Regarding fundamentals, we note the recently completed cycle of quarterly earnings reports revealed a corporate sector navigating the Trump Administration's policy agenda reasonably well.
- Tariff and immigration shocks have been problematic for many businesses, but not bad enough to prevent *S&P 500* companies from posting better-than-expected earnings in the second quarter and maintaining healthy guidance for the remainder of the year.¹
- Buoyant financial markets might also reflect cautious hope for improvement in the path of the federal budget deficit due to a material jump in tax revenue from tariffs.
- Estimates vary regarding the likely impact of tariffs on federal tax revenue, but the range is roughly \$200-\$400 billion in *incremental* revenue per annum – sufficient to offset up to 22% of the 2024 budget deficit at the high end of the range.²
- Granted, much of the incremental tax revenue from tariffs may be absorbed by recent tax cuts and future spending actions, and the Supreme Court might force an overhaul of Trump's implementation strategy, but it seems plausible to expect the trajectory of the federal budget deficit to stop getting worse, at a minimum, and possibly bend toward improvement.
- Regarding inflation, tariff pass-throughs may keep headline inflation above the Fed's stated goal of 2.0% in the near term, but prices are not misbehaving enough to prevent the Fed from resuming its rate cutting cycle, as it did in September, while signaling more rate cuts are likely.³
- In essence, the Trump Administration's policy agenda is shifting from social media posts to reality, and thus far, important inputs that matter most to investors have exceeded the fearful expectations of many from earlier this year.
- In less good news, financial markets might already reflect the positive surprises cited above, *plus* raging enthusiasm for artificial intelligence (AI) and everything in its orbit.
- This may create a ripe environment for a pullback if future developments fall short of today's optimistic expectations.
- It seems worth remembering the Trump Administration is explicitly intent on reworking the global order on trade and security, so occasional negative surprises and unintended consequences seem inevitable along the way.

¹ Source: Bloomberg; Federal Open Market Committee (FOMC)

² Source: Congressional Budget Office; Yale University Budget Lab; Committee for a Responsible Federal Government; Penn Wharton Budget Model; Estimated budget offset based on \$400 billion of incremental tax revenue as a percentage of the fiscal 2024 deficit of \$1.8 trillion

³ Source: Federal Open Market Committee (FOMC)

Discounting the Future

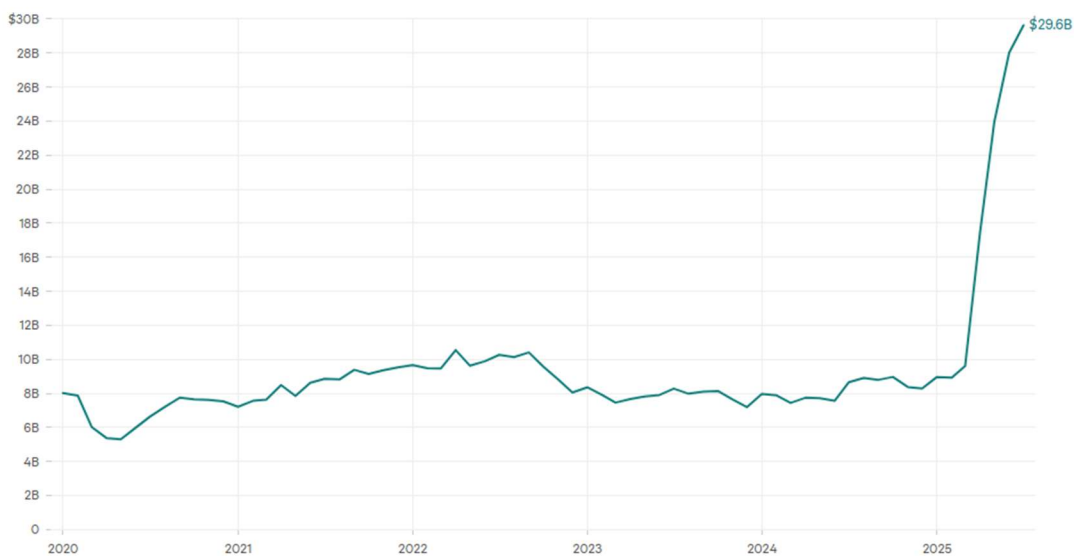
Financial markets are always looking forward. The current price of any asset – be it a stock, bond, shopping center, or professional sports team – represents the collective best guess among market participants about the future path of whatever variables determine the value of that asset. If you apply this framework to the behavior of the stock market in 2025, the journey from January to now makes sense. This framework is also helpful for shaping expectations about the future.

Thinking back to the early months of the year, the mood among many investors was fearful. A recently elected President Trump surprised many by revealing his campaign rhetoric about tariffs was not only sincere, it was *understated*. An unknown Chinese company called *DeepSeek* cast doubt on the investment thesis supporting America’s leading technology titans by claiming it developed a foundational large language model for AI at a tiny fraction of the cost and computing power of U.S. counterparts. Expectations for a continuation of the Fed’s monetary easing cycle were dashed when the Fed hit pause on further interest rate reductions to wait for the possible impact of tariffs.

These developments caused investors to incorporate a pessimistic future into stock prices as of early April. However, the reality that subsequently unfolded was much better than feared. Corporate profits have been resilient in 2025, and the latest earnings estimate for the *S&P 500 Index* projects another 13% advance in 2026.⁴ Capital spending on AI did not collapse, but instead it *accelerated* higher. Substantial trade tariffs were levied without triggering a global recession or tit-for-tat retaliation. Inflation seems sticky near 3%, but it has not spiked higher as feared. And the Fed resumed its rate cutting cycle in September.

Tariff revenue has skyrocketed

Monthly totals of customs and other excise taxes



Source: U.S. Treasury Department

Credit: Danielle Kurtzleben and Connie Hanzhang Jin/NPR

⁴ Source: Bloomberg; Consensus EPS estimates for 2025/2026 were \$268.23/\$302.25 as of 9-30-25

Is This a Bubble?

This is all good news for Main Street, but the investment implications are less clear. Because financial markets are always discounting the future, today's hopeful outlook is probably factored into many asset prices. Unlike early April, when a merely mediocre future may have been enough to warrant higher stock prices, today's outlook presents a much higher bar for future events to clear. We suspect conditions may be ripe for a pull-back next time something happens to cast doubt on the current consensus vision.

Although we are more cautious about the risk-reward tradeoff in the stock market today, we do not believe stocks are in a bubble. Excluding the Information Technology sector, the forward price-to-earnings ratio (P/E) for the remainder of *S&P 500 Index* is approximately 20.⁵ This is higher than the long-term average for the index of 18.3, but not unusual for periods with similar interest rates and inflation.⁶ As for the mega-cap technology stocks leading the market index higher, valuations have become rich, but they remain well below the metrics achieved during the late-1990s technology bubble for most companies and most metrics.⁷

If the mass adoption of AI unfolds like the global expansion of the internet, it could span multiple *decades* and include more than one round-trip between euphoria and despair for investor attitudes and stock prices. Those who can avoid overreacting at either extreme could be rewarded handsomely for their patience, as was the case for the leading innovators of the internet era in the 1990s – '00s.

Today our bullet point advice is as follows:

- With markets already reflecting a lot of good news, we believe the best course of action is patience with an eye toward risk management in particularly expensive stocks.
- Average-in any new commitments to the stock market but start the process.
- Limit any asset allocation shifts toward additional equity to incremental changes executed in stages, rather than abandoning a thoughtfully balanced portfolio completely.

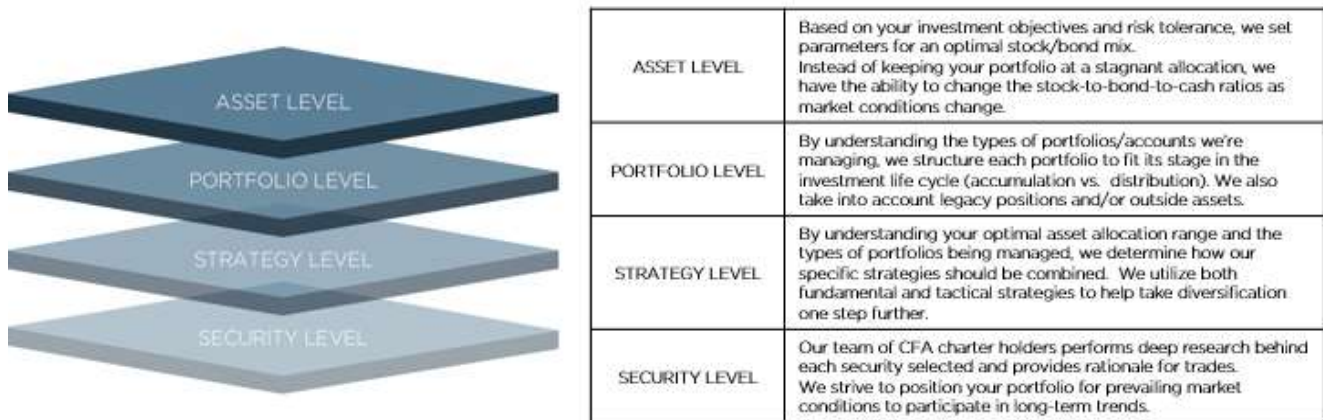
⁵ Source: RBC Wealth Management, Bloomberg Intelligence

⁶ Source: Bloomberg; Standard & Poor's; Data from 12-31-1990 to 9-30-2025

⁷ Source: Bloomberg; Alpine Macro

Current Design of Our Investment Strategies⁸

The remainder of this report addresses the current positioning of each of our investment strategies under current macro conditions. The specific design of *your* portfolio is customized to match your return objectives and risk tolerance. **For a refresher on how your portfolio is designed, and why, please reach out to your Wealth Advisor any time.**



Managed Equities

In 1980, seven of the top 10 *S&P 500* weights were oil companies. In 2025, seven of the top 10 weights are technology companies.⁹ However, the 1980 market P/E was approximately 8, and the top weights had little impact on that measure...In 2025, the market P/E is 23, and would be closer to 18 (the equal-weighted measure) if not for those seven tech companies.¹⁰ The first step to broad equity risk management is understanding those divergences.

Market Valuation

We believe equities are generally lofty. It is essential to place standard valuation measures—such as Price-to-Earnings and Price-to-Sales, both of which suggest equities are at historic highs—into context. Even more robust metrics, such as the Shiller P/E ratio, point to similar conclusions. The Shiller P/E adjusts for inflation and smooths earnings over 10 years, filtering out cyclical noise and short-term distortions.

⁸ The portfolio strategy discussions in this section are supplemental to a compliant GIPS Report. A complete list of Capital Advisors' portfolio models and compliant presentations are available by contacting Capital Advisors.

⁹ This definition of "technology" includes **Meta (META ~\$740)** and **Alphabet (GOOG ~\$245)**, which are classified in the S&P 500 Index as being in the Communications sector, and **Amazon (AMZN ~\$220)** which is classified as Consumer Discretionary.

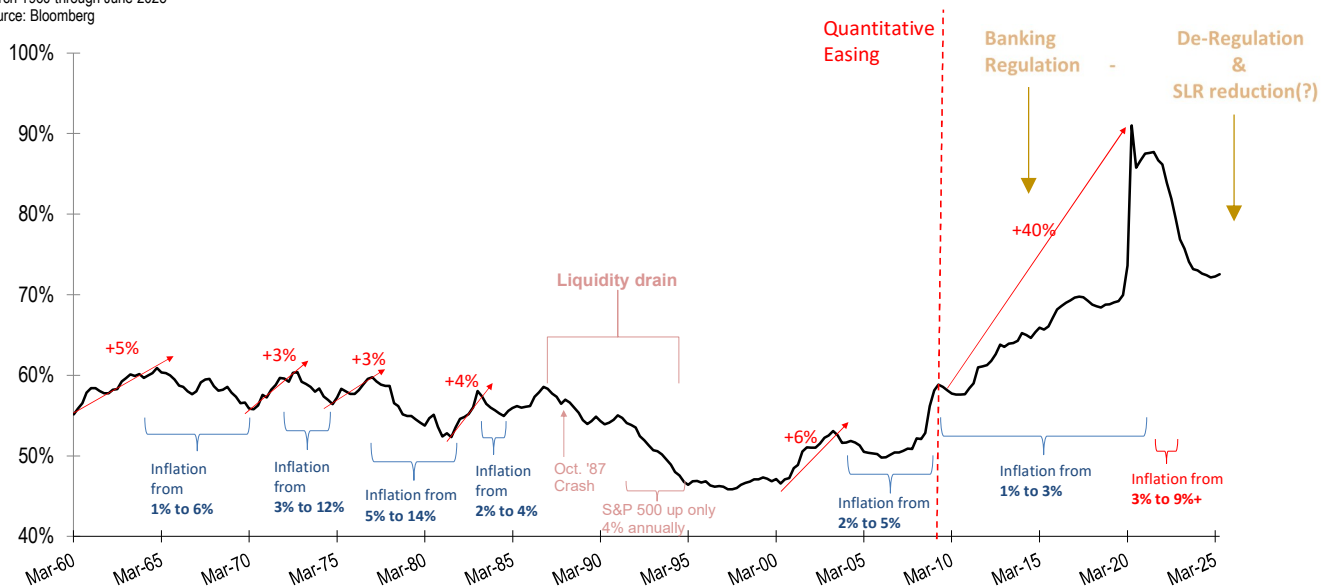
¹⁰ Source: Bloomberg

To place these measures in perspective, the Shiller P/E first returned to a new non-Tech-Bubble high in 2014. Yet since that time the *S&P 500 Index* has risen approximately 340%.¹ A similar story applies to other valuation ratios. This is not to suggest investors should not dismiss these measures but carefully understand what they imply for today’s market environment.

As we have long discussed, systemic liquidity, the pace of enabling secular innovations, and deregulation trends are highly supportive. The following two charts support key asset valuation pillars:

Money Supply and Inflation

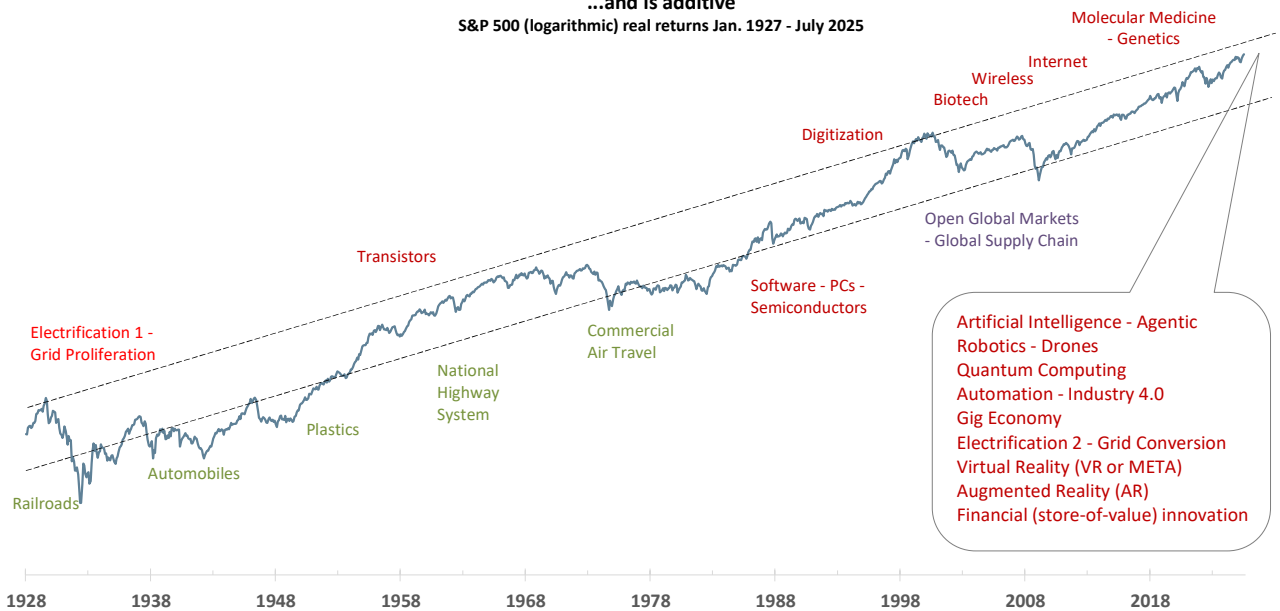
M2 Money Supply as % of GDP
 March 1960 through June 2025
 Source: Bloomberg



Since the financial crisis, systemic liquidity has been unprecedentedly high, lifting asset valuations. It appears U.S. systemic liquidity is settling in just above pre-COVID highs, while the overseas liquidity faucets remain largely ‘on.’ Rather than throttle banking activity with post-crisis regulations – which likely helped keep inflation low – the current environment includes deregulation and may feature a supplementary leverage ratio (SLR) reduction, a level set by the Fed, which would ease capital constraints and encourage lending.

Companies with (arguably) better balance sheets than any country are building resources to gather the lion’s share of the economic value created by unprecedented innovations.

**"Innovation is at the Heart of Value Creation"
...and is additive**
S&P 500 (logarithmic) real returns Jan. 1927 - July 2025



Adding to relatively unprecedented global innovations and systemic liquidity, major central banks materially lowered rates this year, and the Fed is exploring further deregulation, such as reducing the leverage ratio that has restricted banks' ability to lend.

Again, 15%-20% drawdowns are rather normal – or they used to be before the factors discussed above came to dominate valuations (there has not been a regular economic cycle since Volcker-Reagan in the early 1980s). As an interesting aside, the last two bubbles were a combination of easy money and catastrophic deregulation (or regulation depending on the view). For the Tech Bubble, I would highlight the Telecom Act of 1996 – for the Financial Crisis, let's highlight a series of banking maneuvers and lax mortgage lending oversight. Popping each bubble meant a sudden, dramatic withdrawal of systemic liquidity.

In short, while valuations are elevated, they are shaped by forces that make historical comparisons incomplete without a deeper structural context. It is always a pickle to predict what can cause the next one, but liquidity tightening and geopolitical fragmentation (or both) would be among the places to look.

Is AI Worth All the Spending?

An oft-cited key risk is the potential for a low or negative return on the massive amounts of spending companies are devoting to AI. One could travel far in discussions about AI's likely economic impact...and we have. The glass-is-half-empty studies we have read all make a common assumption and fail to explore one vital question.

The assumption is that the rate of acceleration in economic value created by AI will be similar in the mid- and later phases as in the lower-return early phase. We disagree and believe AI will change the structure of many markets, enable new markets like robotics, and eventually integrate with new technologies like quantum. The resulting economic value creation could be substantially beyond what static and empirical studies (that use historical data) can fathom.

We believe the question these studies fail to ask is: ‘What would happen to the economic value of these companies if they did not invest heavily in AI?’ A company can increase its investment rate and gain nothing competitively if peers do the same. However, if that company did not invest, it would risk falling irretrievably behind. We are describing the Red Queen Effect, as well stated in Lewis Carroll’s (1871) *Through the Looking-Glass*, when the Red Queen told Alice:

“Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”¹¹

Risk Management in Unprecedented Times

Two fundamental beliefs shape the firm’s philosophy on risk:

- 1) The most significant risk investors face is failing to meet their objective.
- 2) Risk means not having the money you need when you need it.

One approach we take toward equity risk management is carefully diversifying risk factors between and within strategies. We use cash with a dual purpose: to balance risk taken elsewhere in the portfolio and to serve as dry powder so we do not have to sell great companies to take advantage of excellent opportunities that might arise in a broader market drawdown. The cash level is up meaningfully from earlier in the year, given that the number of factors embedded into valuations leaves less room for error. Our *Why We Own It* report explains each company’s core investment thesis and its role in the portfolio. We illustrate the *Managed Equity Growth* portfolio in four segments:

- 1) Emerging Franchises: We believe these companies are pioneering ground-breaking opportunities and can sustain leadership in attractive new markets – a current example is quantum technologies. These companies have high risk-reward potential and are typically in early stages of development. They also have unique value drivers that diversify the *Managed Equity Growth* investment portfolio.

¹¹ Carroll, L. (1871). *Through the looking-glass, and what Alice found there*. Macmillan.

- 2) Core Innovators: These companies pursue large market opportunities with the benefit of a material competitive advantage that we believe can persist for many years. They typically have the ability to enter into and effectively penetrate attractive additional markets, sometimes through the power of their platform business models – an example is **Amazon.com**. While these stocks can have relatively high volatility in flat and down markets, they should also continue expanding sales and earnings faster than the overall market throughout economic cycles.
- 3) Core Operators: Like Core Innovators, these companies pursue large market opportunities with a competitive advantage that we believe can persist for many years into the future. With proven management teams, they have consistently shown abilities to innovate and lead their primary markets, but do not possess the ability to disrupt major additional industries – an example is **JP Morgan (JPM ~\$315)**. While valuations can sometimes appear elevated, we believe these companies should grow more attractively than their peers through economic cycles.
- 4) Tactical Opportunities: We generally believe these stocks are undervalued due to specific factors. The segment may also hold leaders in highly attractive trends that we expect to hold as long as that leadership and economic trend remains intact. We expect to exit the position once consensus opinion comes around to what we believe it was missing. We could further reduce risk by trimming the positions as they near or exceed our target valuation. This portfolio segment has company-specific diversification benefits and typically carries lower visible valuations (i.e., PEs), giving it a lower expected downside risk in broad market retrenchments.

The *Managed Equity Dividend* portfolio similarly diversifies across key factors that span low and higher dividend yields, and varying exposure to attractive economic growth trends like AI and quantum. We also believe companies with the best ability to maintain and expand dividend payments over time often lead attractive markets. Our *Dividend* strategy includes companies we believe are key players in segments of the following economic trends:

- Artificial Intelligence
- Energy Grid Transition
- Outer Space
- Alternative Finance
- Healthcare Innovation
- Rising Geopolitical Tension
- Cybersecurity
- Quantum Computing

- 1) Dividend Income & Growth: These companies are typically leaders within mature industries. They have a history of consistently raising dividend payments through different economic and market cycles. We anticipate a meaningful portion of total return to come over time through price appreciation and dividend cash receipts. **Home Depot (HD ~\$405)** is an example. The definition also fits leaders in attractive, long-term growth markets, such as **Broadcom (AVGO ~\$335)**, which allows it the ability to sustain attractive cash dividend growth rates.
- 2) Tactical Opportunities: These companies typically combine higher dividend payout rates with more specific capital appreciation objectives. Many of these stocks have long dividend histories. We typically believe investors may overreact to an adverse event or underappreciate a potential positive development. **Corning (GLW ~\$77)** and **AbbVie (ABBV ~\$219)** are examples.
- 3) Aggressive Yield: These companies generate particularly lofty dividend payments, at least partially due to the structure of their balance sheets and business models. This segment further diversifies company-specific risk with measured positions in index-based vehicles.

We endeavor to maintain a quality focus despite holding a current dividend yield at least as high as direct peers. The strategy holds a 1.2 dividend coverage ratio, meaning that, in aggregate, the companies generate 20% more free cash than they need to cover their dividend payments. A key representative measure of balance sheet strength – the Altman-Z ratio – sports an aggregate level above five; over three is widely considered rather strong.¹² We also view cash flow growth as a risk mitigator, which contributes to longer-term returns potentially with a compounding effect (when reinvested over more extended periods). The strategy has generated approximately 7% annual cash dividend growth since its inception nearly 14 years ago.¹³ The relatively high cash flow this strategy generates provides, in financial terms, a bird in the hand component to returns, since cash in the pocket is known with certainty no matter the market environment.

Two Other Risk Management Tools (Among Several)

We use what we term ‘active de-risking’, reducing and adding to positions as prices come to incorporate – or miss – key factors. This process keeps each position size in line with the portfolio role while often returning meaningful portions of clients’ investments and maintaining targeted asset positions. For instance, we have returned the entire **Constellation Energy (CEG ~\$329)**

¹² Source: Bloomberg

¹³ Source: Orion using a representative account.

investment plus 18% to clients who initiated the position with the strategy in late 2023. The strategy still holds a CEG position 17% higher than the total amount we have invested in it.¹⁴

In other cases, the active risk management has been lighter, for example, **Microsoft (MSFT ~\$509)**, where we have returned some 37% of the total investment and currently own the asset in a size more than four times the amount invested.¹⁵

Regarding the *Dividend Strategy*, examples include **Broadcom**, where we have returned three times the investment as the stock's ascent changed its investment profile, including reducing its dividend yield. The strategy still owns a position 6% greater than the amount initially invested.¹⁶ Conversely, we returned "only" a bit more than half of the **IBM (IBM ~\$279)** investment and still own a position 20% larger than the total invested.¹⁷

The 'acquisition yield' concept is a risk management tool unique to the Dividend Strategy. This approach helps keep the strategy's cash flow in context. For instance, we initiated a position in **Texas Instruments (TXN ~\$180)** approximately five years ago. At the time, the stock had a 4.2% yield. The company has increased the amount of dividend cash it pays per share by 51% since that time, but the current yield declined to less than 3% due to a higher stock price (like a bond, price and yield are inversely related). TXN sports an 'acquisition yield' of 5.4%, defined as the amount of cash that clients receive annually versus the amount initially invested. We expect that yield to rise as the company increases its dividend payments consistently.¹⁸

Full illustrations of the 'active de-risking' and 'acquisition yield' tables are available on request.

Fixed Income Strategies

Interest rates continued their stair-step decline over the course of the quarter, mirroring the trend of the first half of 2025. Following the last interest rate cut in December of 2024, the Federal Reserve resumed its easing process in September by reducing its funds rate by 0.25% and signaling more may follow over the course of the next twelve months.

¹⁴ Source: Orion, Bloomberg. CEG was initially bought in the Strategy on 9/11/2023. The position was added to on 8/12/2024 and reduced on five occasions (5/31/2024, 9/23/2024, 10/11/2024, 3/4/2025 & 8/7/2025) within a representative client account.

¹⁵ Source: Orion, Bloomberg. Microsoft was initially bought in the Strategy on 7/20/2017. We added to MSFT on three occasions (2/9/2018, 5/5/2022 & 6/23/2022) and reduced once (4/13/2020) within a representative client account.

¹⁶ Source: Orion, Bloomberg. Broadcom was initially bought in the Strategy on 6/11/2021. The position has been reduced on four occasions (5/31/2023, 6/14/2024, 8/16/2024 & 9/5/2025) within a representative client account.

¹⁷ Source: Orion, Bloomberg. IBM was initially bought in the Strategy on 9/12/2023. The position was added to on 12/19/2023 and has been reduced twice (3/25/2024 & 3/31/2025) within a representative client account.

¹⁸ Source: Bloomberg. Texas Instruments was initially bought in the Strategy on 4/2/2020 at a price of \$99.98. Over the past four quarters, clients have received \$5.44 per share in dividends; $\$5.44/\$99.98 = 5.4\%$.

The magnitude of any future rate reductions is the wildcard as the economy is giving Fed officials mixed signals as they attempt to achieve their dual mandate of targeting “maximum employment” while focusing on “price stability”. The employment picture seems to be slightly worsening, while inflation remains sticky in the 2.5% to 3.0% camp, higher than the Fed’s target of 2.0%. The next Fed decision will be October 29th and the market is currently predicting a nearly 90% likelihood for another quarter point cut.¹⁹

Managed Credit Strategies

Within our *Managed Credit Strategies*, we are orienting the portfolios toward better credits, with roughly 75% of our clients’ exposure to companies currently rated A- or better, on average.²⁰ We believe our BBB exposure has better balance sheets than the broad market, but we are willing and able to further reduce this allocation should we see any specific situations worsen. We also hold a modest allocation to U.S. Treasuries, where applicable, to provide further credit diversification.

Our overweight to investment-grade corporate credit outperformed Treasuries in the third quarter while our slightly defensive duration profile did not keep pace with broad markets following the modest price increases from falling rates. With interest rates somewhat lower than just a few months ago, we will still look to add interest rate risk but not go out in maturity much past 7-8 years. On a go-forward basis, portfolios are now yielding between 3.9% and 4.4%, depending on one’s yield curve positioning.²¹

ETF Bond Models

Our *Aggregate Bond* ETF strategy remains 100% invested in “defined maturity,” investment-grade corporate bond ETFs, which somewhat positively impacted the model’s performance relative to the benchmark in Q3 as corporate credit outpaced Treasury returns. Today, there is a relatively conservatively positioned laddered maturity structure of ETFs ranging between 2027-2031, and the model carries an average net acquisition yield of approximately 4.1%.²²

The *Income Bond* ETF strategy has focused on maximizing cash flows within the priority of balancing risks, most notably through sector diversification. In Q3, the model slightly outperformed the benchmark due to an overweight to spread product, most notably investment-grade corporates. “AAA-rated” Agency Mortgage-Backed securities also remained heavily weighted and performed well as interest rate volatility declined, and the direction of rates was lower. Today, the strategy carries an average net acquisition yield of approximately 4.5%.²³

¹⁹ Source: Bloomberg, World Interest Rate Probabilities, 9/29/25

²⁰ Source: ORION

²¹ Source: Bloomberg, ORION, as of 9/30/25

²² Source: Bloomberg, iShares, State Street, as of 9/30/25

²³ Source: Bloomberg, iShares, State Street, as of 9/30/25

Municipal Bonds

Our *Municipal Bond* portfolios continue to focus on “A” and above credits with strong debt coverage and liquidity profiles. We have also intentionally over-weighted essential service revenue bonds (water & sewer, utilities, etc.), and general obligation bonds with an average portfolio credit quality of “AA.”

Municipals trailed taxable bonds’ performance for much of the year due to elevated tariff worries, elevated bond supply, and possible tax law changes. However, all these concerns subsided in Q3 creating favorable conditions for municipals to outperform their taxable counterparts. Municipal bond portfolios are now yielding between 2.5% and 3.4% tax free (*between 4.2% and 5.6% at the highest marginal federal tax rate*)²⁴ depending on one’s yield curve positioning.

Tactical Global Growth Strategy

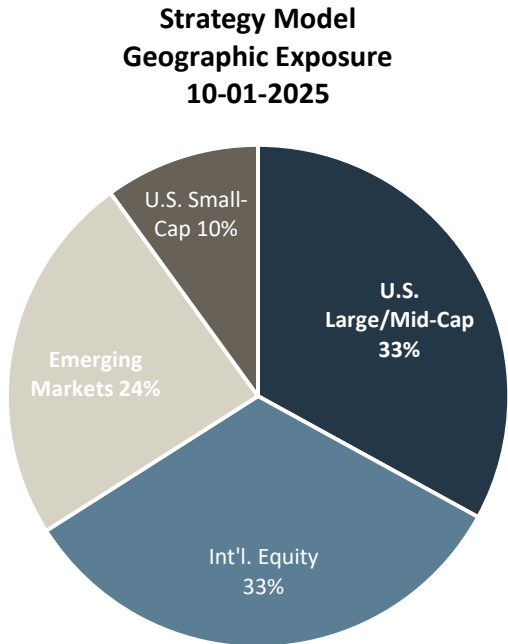
This strategy was well positioned during the third quarter with a healthy allocation to emerging markets and domestic small-cap stocks, both of which performed admirably during the quarter. On a year-to-date basis international markets have outperformed the U.S. stock market by a wide margin, although returns have been solid for both. The recent outperformance of international stocks has coincided with a measurable decline in the U.S. dollar exchange rate throughout 2025. We suspect these two trends are interrelated. For one thing, the relative performance of international stocks frequently moves inversely with the U.S. dollar, such that a declining dollar has often supported outperformance for international equities in the past. It also seems possible that geopolitical considerations may be an influence.

Tactical Global Growth Strategy Model Portfolio 10-01-2025

<u>Investment Vehicle (Ticker Symbol)</u>	<u>Asset Market</u>	<u>Portfolio Weight</u>
iShares MSCI ACWI ETF (ACWI)	Core Global Equity	50%
Schwab International Equity ETF (SCHF)	Developed Int’l. Equity	20%
Vanguard Emerging Markets ETF (VWO)	Emerging Markets	20%
iShares S&P 600 Small Cap ETF (IJR)	U.S. Small Cap	10%

²⁴ Source: ORION, Bloomberg, highest marginal tax rate of 40.8% = 37% federal plus 3.8% net investment income tax, as of 9/30/25

We believe one consequence of President Trump’s abrasive approach to foreign policy may be a shift in asset preferences away from U.S. markets among the managers of large pools of capital like foreign central banks, insurance companies, pension funds, and sovereign wealth funds. Importantly, such a shift need not be driven by politics alone. Consider, for example, the new ambition of many countries to spend substantially more on national defense. The capital for this spending increase must come from somewhere, and it seems reasonable to assume that some of it may come from the repatriation of U.S. investments. National defense is just one of several potential demands on localized savings for priorities like re-shoring supply chains, financing national debts, and building out the technology and energy infrastructure necessary for strategic technologies like artificial intelligence.

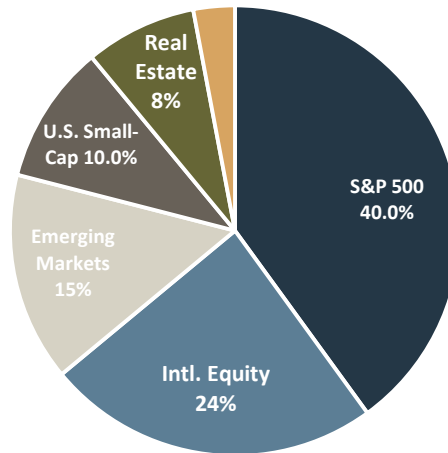


Dynamic Allocation Strategy

This strategy entered the third quarter with roughly 80% of its asset allocation in equities and became fully invested in risk markets during July and August. This positioning was favorable during a productive period for global equities throughout the quarter.

After a few fits and starts in the first half of the year this strategy has accumulated a solid high-single-digit return through the end of September. Like the Tactical Global strategy, the Dynamic strategy is a beneficiary of the strong performance of international and emerging market equities in 2025.

**Dynamic Allocation Strategy
Allocation as of 10-01-25**



We believe the *Dynamic Allocation* strategy can play a helpful role in the risk management discipline of a balanced portfolio. Each of the five equity market index funds (ETFs) within the strategy has an automatic sell discipline tied to its moving average trend line. In English, this means each sector will be sold when its trend line turns downward. Consequently, money allocated to this strategy can be expected to shift out of risk markets and into short-term U.S. Treasuries whenever downside volatility in the equity markets picks up.

Despite having the flexibility to shift almost entirely into short-term U.S. Treasuries during times of market stress, the strategy can capture a large portion of the upside whenever global equities experience a sustained advance.

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The **S&P 500 Index** is a stock market index based on the market capitalizations of 500 leading companies publicly traded in the U.S. stock market, as determined by Standard & Poor's. The index is calculated on a total return basis with dividends reinvested and is not assessed a management fee.

The **Russell 1000 Growth Index** seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities that exhibit growth characteristics.

The **Russell 1000 Value Index** seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities that exhibit value characteristics.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI EAFE Small-Cap Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of small- and mid-cap stocks in the developed markets, excluding the U.S.

Vanguard High Dividend Yield ETF is an exchange-traded fund that seeks to track the performance of the FTSE High Dividend Yield Index, which consists of common stocks of companies that pay dividends that generally are higher than average.

Morningstar Dividend Yield Focus aims to track high-yielding, qualified dividend-paying, U.S. based securities screened for companies with financial health. The Index is calculated on a total return basis with dividends reinvested and is not assessed a management fee. It is not possible to invest directly in an index.

Bloomberg Aggregate Bond Index is an unmanaged index made up of U.S. Government, corporate, mortgage-backed and asset-backed securities rated investment grade or higher. The index is designed to measure the performance of the domestic investment-grade bond market.

Morningstar Dividend Yield Focus Index: A selection of 75 US stocks with relatively strong dividend yields and financial quality.

FTSE US High Dividend Yield ETF: Represents the performance of stocks characterized by above-average dividend yields based on the FTSE US High Dividend Yield Index.

Vanguard High Dividend Yield ETF: A passively managed ETF that seeks to replicate the FTSE US High Dividend Yield Index.

S&P US REIT Index: Defines and measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

S&P US Utilities Index: Defines and measures the investable universe of publicly traded utility companies domiciled in the United States.

S&P 500 Dividend Aristocrats Index: Designed to measure the performance of S&P 500 index constituents that have followed a policy of consistently increasing dividends every year for at least 25 consecutive years.

S&P High Dividend Yield Aristocrats Index: Measures the performance of the 50 highest yielding companies within the S&P Composite 1500 that have increased their dividends every year for at least 20 years.

Fidelity High Dividend Yield ETF: Tracks the performance of large- and mid-capitalization dividend-paying companies in the Fidelity High Dividend Yield Index that are expected to continue to pay and grow their dividends.

Schwab US Dividend Equity ETF: Tracks the Dow Jones US Dividend 100 Index with companies characterized by financial quality and high dividend yields.

Estimated portfolio yield represents the 12-month run-rate of interest and/or dividend payments in a strategy divided by the market value of the securities and cash reserves invested in the strategy. Estimated interest/dividend payments and market values are calculated by a portfolio accounting system from *Orion* using a single client portfolio that Capital Advisors believes to be representative of clients' portfolios invested in the same strategy. The actual portfolio yield for any single client portfolio may be lower or higher than the yield quoted. The underlying holdings of any presented portfolio are not federally or FDIC-insured and are not deposits or obligations of, or guaranteed by, any financial institution.

Security Recommendations: The investments presented are examples of the securities held, bought and/or sold in the Capital Advisors strategies during the last 12 months. These investments may not be representative of the current or future investments of those strategies. You should not assume that investments in the securities identified in this presentation were or will be profitable. We will furnish, upon your request, a list of all securities purchased, sold, or held in the strategies during the 12 months preceding the date of this presentation. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of securities identified in this presentation. Capital Advisors, Inc., or one or more of its officers or employees, may have a position in the securities presented, and may purchase or sell such securities from time to time.

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The information provided is supplemental to a fully compliant GIPS Report. A complete list of Capital Advisors' composites and performance results is available upon request. The actual return and value of an account will fluctuate, and at any time the account may be worth more or less than the amount invested.

Additional information, including management fees and expenses, is provided on Capital Advisors' Form ADV Part 2, available upon request or at the SEC's Investment Adviser Public Disclosure site, <https://adviserinfo.sec.gov/firm/summary/104643>

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