QUARTERLY COMMENTARIES

STRONG QUARTER; FAMILIAR RISKS

Kurt Hoefer, CFA®
Oct 14, 2025

QUARTERLY COMMENTARY — SEPTEMBER 30, 2025

U.S. equities posted meaningful gains in the third quarter, with market leadership broadening beyond the large-cap technology companies that dominated earlier in the year. The S&P 500 advanced +7.7%, including dividends. Small-cap stocks, represented by the Russell 2000 Index and held in Summitry's "Explore" strategy, outperformed with a +12.3% return. International equities continued to build on a strong first half—helped by a weaker U.S. dollar—rising +2.9% as measured by the MSCI ACWI ex-U.S. Index. Core bonds delivered a +1.3% return, as reflected in the Bloomberg Aggregate Bond Index, amid expectations of stability in long-term interest rates.

The macroeconomic backdrop remains uneven. Economic growth is decelerating from last year's pace, hiring trends point to cooling labor markets, and while inflation has moderated, it hasn't disappeared. Add to that a mix of geopolitical tension and policy uncertainty, and you have an environment that remains far from predictable. Amid these crosscurrents, the rally remained narrow. Technology and communication services stocks led the advance—fueled in part by renewed enthusiasm for artificial intelligence—while other sectors moved largely sideways, reminding us that sentiment, as much as fundamentals, still drives short-term results.

Artificial intelligence continues to dominate financial and business headlines, with both corporations and governments making massive investments to build the data-center and energy infrastructure needed to fuel the next wave of adoption. At Summitry, we use AI daily to enhance research and operations, and we continue to invest thoughtfully in technology. That said, as investors, we're mindful that not every participant in this arms race will earn an attractive return. We've seen this pattern before—capital rushes in, competition intensifies, and only a few winners emerge. We intend to participate selectively and with our eyes open to the risks.

A PRINCIPLE WORTH REPEATING

Strong short-term results often tempt investors to draw straight lines into the future. We resist that temptation. Success in investing has less to do with predicting what happens next and more to do with preparing for a wide range of outcomes. Our approach remains unchanged: focus on the normalized earnings power of businesses several years out, demand a margin of safety before we buy, and let time do the heavy lifting. Market rallies and corrections come and go, but the process doesn’t change. We believe we hold advantaged businesses led by capable operators, we try to maintain liquidity for opportunities, and we try to stay patient through the noise.

Q3 PORTFOLIO CHANGES

We made no new initiations and no full exits in Q3. We added to select holdings where temporary weakness improved prospective returns and trimmed position sizes that approached our appraisal of fair value. This reflects conviction in current holdings and a willingness to let the portfolio compound without unnecessary turnover. As always, this commentary is not a recommendation to buy or sell any security; decisions occur within the full context of the market environment and a diversified portfolio.

NEW TO THE TEAM

During the quarter, we welcomed Matteo Lopez. Matteo joined shortly after graduating from Santa Clara University’s Leavey School of Business with a B.S. in Commerce with Economics and Data Analysis (June 2025). He previously interned with Ford Motor Credit Company in Dearborn, Michigan, contributing to strategic financial projects and data-driven business insights (2024), and with the U.S. Securities and Exchange Commission in San Francisco (2023), supporting examiners of SEC registrants. His analytical training and curiosity about markets make him a strong addition to the team.

CONTACT US

We welcome the opportunity to discuss these insights in the context of your portfolio. Contact us today to speak with your Summitry advisor to review your positioning and next steps or schedule a call with one of our advisors to see how we can help your situation.