

OVERVIEW

The third quarter of 2025 represented a significant period of market resilience, as a rebound in US equities pushed major indices to new record highs. Despite worries over rapidly accelerating tariffs, rising geopolitical tensions, persistent inflation, and domestic policy uncertainty, the S&P 500 Index delivered a total return of approximately +8.2%. The advance was fundamentally underpinned by a rotation toward cyclical and high-beta stocks, supported by the Federal Reserve cutting interest rates and strong corporate earnings. In the third quarter, investor focus shifted from recessionary fears, which dominated the first half of 2025, toward capitalizing on recent megatrends. Primarily, overwhelming investment and optimism surrounding Artificial Intelligence (AI) not only propelled the Information Technology and Communication Services sectors but also the Utilities sector, which is traditionally a defensive sector.

The S&P 500 Index's robust Q3 performance was highly concentrated in Information Technology, Communication Services, Consumer Discretionary, and Utilities, which returned about +14.5%, +13.4%, +9.4%, and +7.2% this quarter. The Information Technology and Communication Services sectors were partly driven by strong earnings growth and new announcements like OpenAI's Stargate AI infrastructure project partnerships, which provided a positive sentiment boost. Furthermore, the Utilities sector outperformed in Q3, driven by the accelerating demand for data center power. Expectations for above-average earnings growth are driven by the uptrend in US electricity consumption, fueled by AI data centers and manufacturing reshoring.

While the S&P 500 Index achieved record highs, the market performance was far from uniform. Sectors like Consumer Staples, Materials, and Real Estate lagged due to exposure to the stressed US consumer, the inflationary effects of tariffs, and high borrowing costs, returning approximately -3.1%, +0.7%, and +1.9% in the third quarter. The weakness in the Consumer Staples sector was due to the erosion of the US consumer's financial strength, as real disposable income growth slowed to a cycle low. In addition, households faced multiple financial stressors, including the renewed burden of student loan repayments, sustained high borrowing costs, and fears over rising unemployment. The Real Estate sector continued to underperform due to elevated and volatile interest rates, exacerbated by long-term fiscal deficit concerns driving bond yields higher. The combination of high costs of capital and elevated building materials constrained new construction activity.

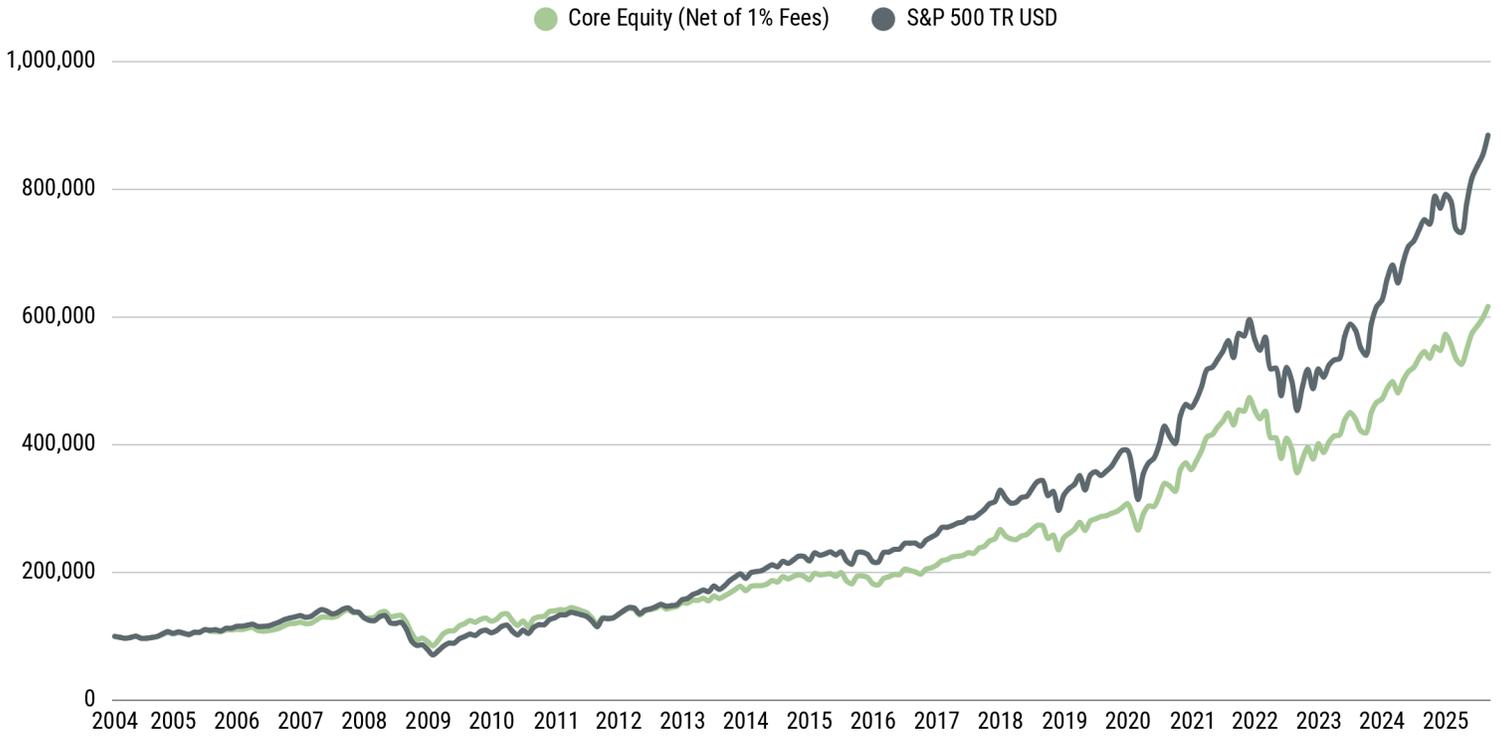
The Federal Reserve executed a pivotal monetary shift, implementing a 25bp rate cut at its September meeting, signaling the formal resumption of the easing cycle. This action was primarily driven by mounting concerns regarding the stability of the labor market, specifically a decline in job growth to below the rate required to maintain employment stability. Corporate earnings remain strong while the economy contends with stubborn inflation. Stagnant economic growth and high inflation create the risk of stagflation.

From a portfolio standpoint, we added a few new names: Chipotle and Eli Lilly. We exited positions in Micron Technology, Hershey, and Arista Networks in the quarter.

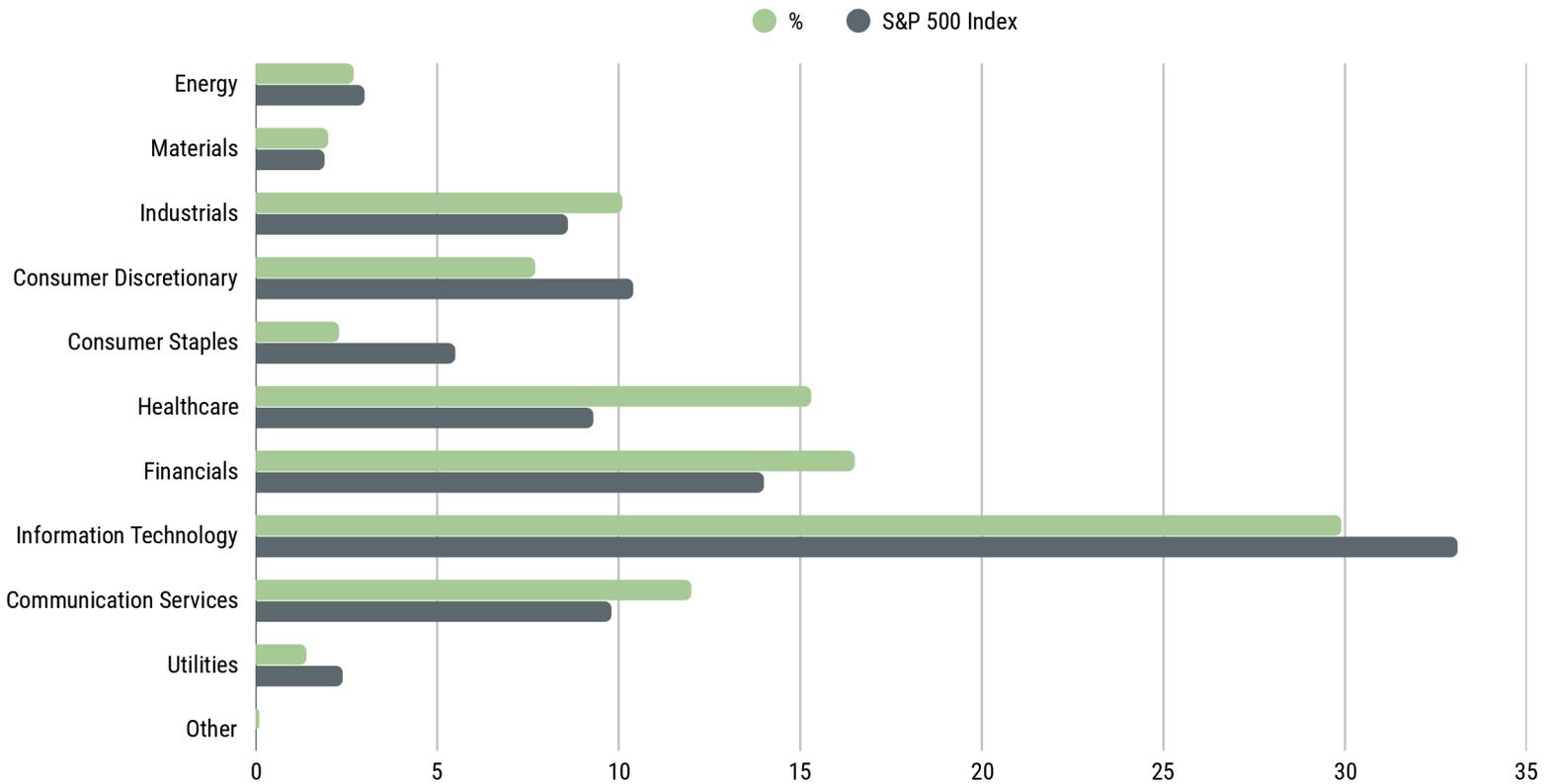


Alphabet Inc Class C	6.3	Meta Platforms Inc Class A	3.3
Microsoft Corp	5.9	Berkshire Hathaway Inc Class B	3.0
Apple Inc	5.5	L3Harris Technologies Inc	2.7
Fidelity Government Cash Reserves	5.3	iShares@ 0-3 Month Treasury Bond ETF	2.5
Amazon.com Inc	4.7	Other	57.3
Broadcom Inc	3.5		

GROWTH OF \$100,000



CORE EQUITY STRATEGY GICS SECTOR WEIGHTS



MEET THE TEAM



PETE TRONTIS, CFA Sr. Portfolio Manager

Pete joined Exencial Wealth Advisors as a portfolio manager for the Enhanced Yield strategy. Prior to joining Willingdon, he was a research analyst for Horizon Investments where he focused on global equity research and supported the firm's trading and performance reporting operations. Prior to Horizon Investments, Pete was a Market Risk analyst for Wells Fargo Securities. He began his career as an analyst for Liquid Credit Products at Bank of America.

Pete holds a BS in Finance and a BS in Economics from DePaul University where he graduated cum laude. He also holds an MBA from Duke University where he graduated in the top 10 percent of his class and was designated a Fuqua scholar. He is a CFA charterholder and a member of the CFA society of North Carolina.



RANDY FARINA, CFA Sr. Portfolio Manager

Randy joined Exencial as a Senior Portfolio Manager for the Core and International Strategies. Randy has an extensive background in global equities with over 20 years' experience as an analyst and portfolio manager. Randy also has experience in client service partnering with both institutional and retail relationship managers. Before Exencial, Randy was a Portfolio Manager and Analyst for 16 years on the Global Small Cap Team for Putnam Investments. Randy helped implement a structured investment process focusing on intrinsic value. During his tenure at Putnam Randy also developed and managed an apprentice program to train and develop junior analysts. Randy most recently comes from Westwood Global in Boston where he was a Senior Research Analyst focusing on an International Large Cap Strategy.

Randy has a Master of Science in Finance from Boston College and a Bachelor of Science in Business Administration from the University of Massachusetts at Lowell. Randy is a CFA charterholder.

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