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From the CIO's Desk

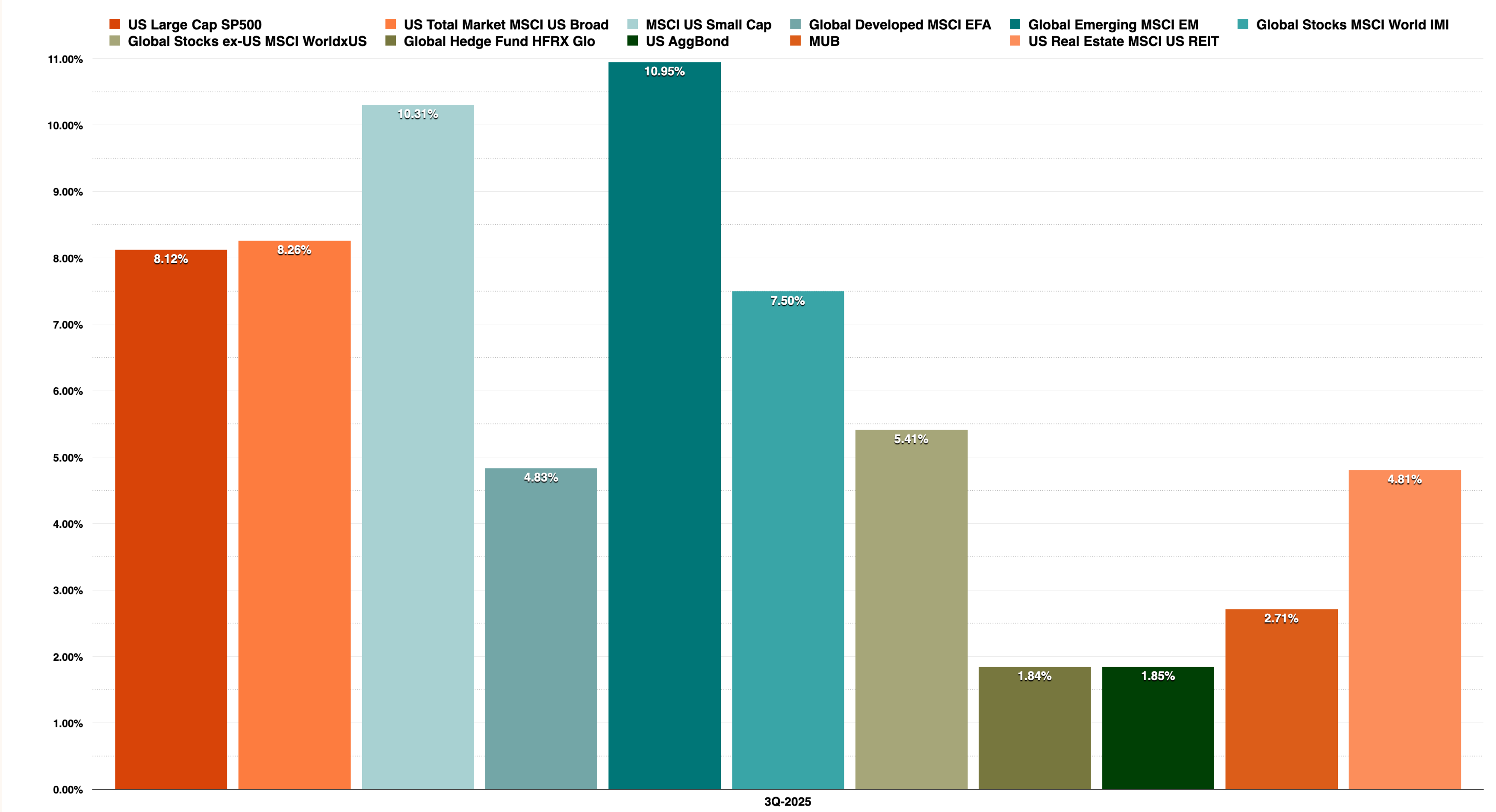
3Q-2025 was a repeat of 2Q-2025 with U.S. and Global stocks powering higher. The bellwether S&P 500 made new highs during the quarter--largely on the backs of the mega caps that are attracting all the attention and money. Caution is warranted here as valuations are somewhat lofty. And lofty valuations generally do not lead to superior short-term returns.

European and emerging market stocks have outperformed U.S. stocks so far this year by a wide margin. Some are calling it "de-dollarization" as investors come to believe that the U.S. is no longer the reliable trading partner it has been. That trade may have legs.

We are publishing this newsletter a little later than usual this quarter as much of our time in October was consumed with addressing a cybersecurity breach we experienced early in the month. Hackers got into our website, corrupted some of our front pages and explored our back-end client reporting pages. They also cloned my Microsoft Outlook email and attempted to use that to impersonate me with a vendor. No damage was done and we consulted two tech experts as to what steps to take to harden our defenses and have taken all appropriate measures. This is the world we now live in.

The global equity markets have had two superior back-to-back years (so far). Tempering expectations about future short-term returns is prudent. The holiday season is rapidly approaching and with it a welcome time for gathering with family and friends. We hope you get to spend some time with your people.

Thomas F. McKeon, CFA | November, 2025



Review & Outlook 3Q-2025
The equity markets delivered solid returns for the quarter with returns that closely resembled average annual returns. The S&P 500 (U.S. large cap) index made new all time highs during the quarter. Overseas equity market fared even better and demonstrated the value of a global asset allocation.

Valuations vary widely across the globe with the S&P 500 nearing a Price to Earnings (P/E Ratio) of near 29x while the All-World ex-US Small Cap index has a P/E multiple of just over 15x--nearly half of the U.S. S&P 500. The Vanguard Mega-Cap Growth Index fund trades at a P/E ratio of nearly 40x. An index has to deliver a lot of growth over an extended period to justify that valuation.

The rush towards anything related to AI is eerily reminiscent of the internet/tech bubble of the early 2000s. Then, the expensive, tech heavy NASDAQ exchange and index peaked in March of 2000 and fell by more than 80% by the market bottom 24 months later. The NASDAQ did not breach its March 2000 high until May of 2015...some fifteen years later. Investors who rebalanced at year-end 1999 before the bubble burst were well served. Investors who had the fortitude to invest near the NASDAQ low in 2022 and hold have earned stupendous returns.

The lesson is this: the future is unknowable. When new information arrives, surprises for expensive stocks tends to be bad, surprises for cheap stocks tends to be good...all things being equal.

Oh Yes They Did...

Tesla shareholders just approved a pay package for Elon Musk that could be worth $1 trillion--that's trillion, with a T.

What now for Tesla?
The last of this week's consequential elections has concluded: Tesla shareholders approved a pay package for Elon Musk that could eventually be worth about $1 trillion.

But Musk must now steer Tesla, the carmaker he leads, past a series of milestones to get the full award. And other questions are hanging over the company's future.

Tesla investors overwhelmingly approved the plan. It gained support from holders of about 75 percent of the company's shares, including from many of Tesla's retail shareholders.

That said, big investors voted against the package, including Norway's sovereign wealth fund and several public pension funds.

Musk was elated. "What we're about to embark upon is not merely a new chapter of the future of Tesla but a whole new book," he told attendees at yesterday's annual shareholder meeting.

Musk's stake in Tesla could rise to 25 percent, giving him the greater control over the company that he has publicly demanded. (Many investors worried that he'd spend less time at Tesla if the package didn't pass.)

But Musk doesn't get the package right away. The shares will be awarded in 12 parts, and for Musk to receive them, Tesla must hit financial and operational targets. Unlocking the first chunk alone requires that Tesla's market value rise to $2 trillion and that the company do one of the following:

- *Deliver its 20 millionth vehicle*
- *Put one million robotaxis on the street, or*
- *Sell one million humanoid robots.*

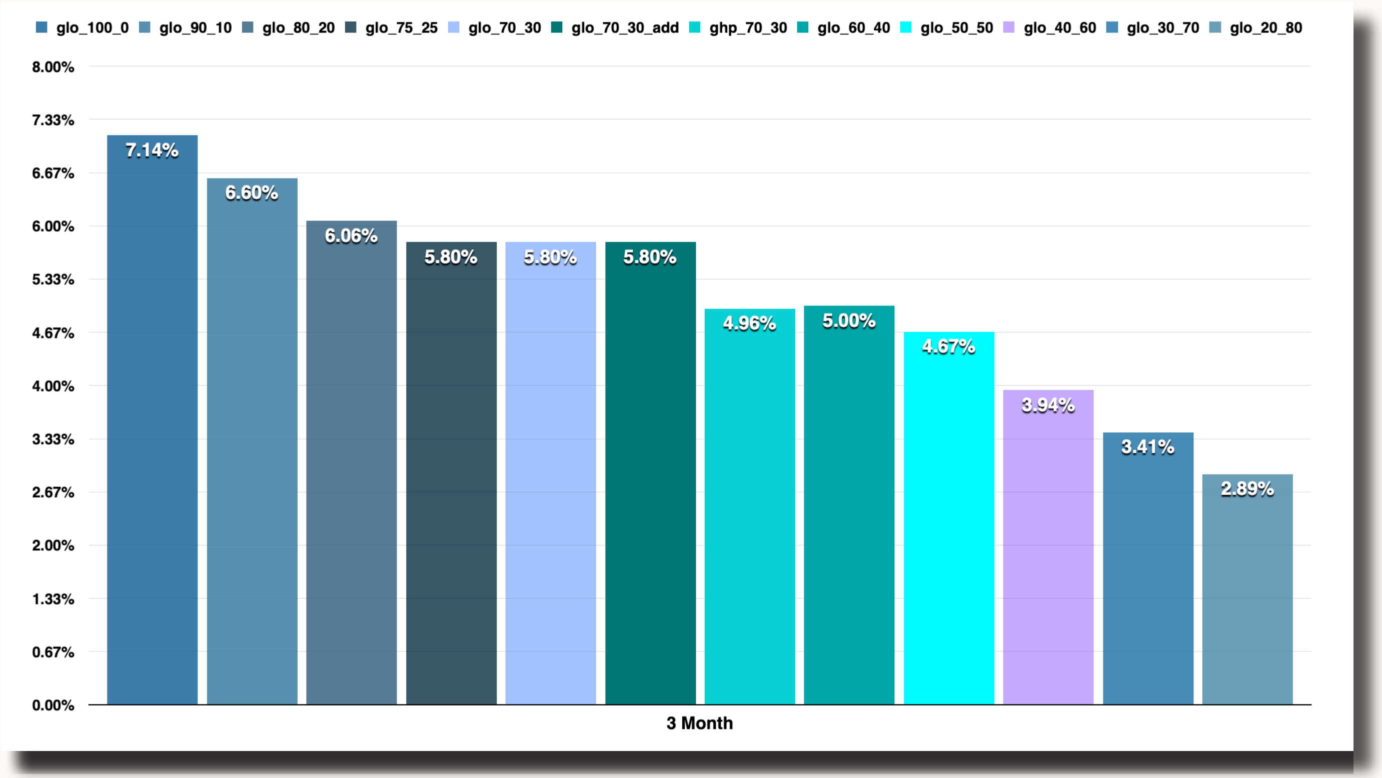
Ultimately, Tesla has to reach $8.5 trillion in market value and all the operational goals for Musk to earn the full compensation award.

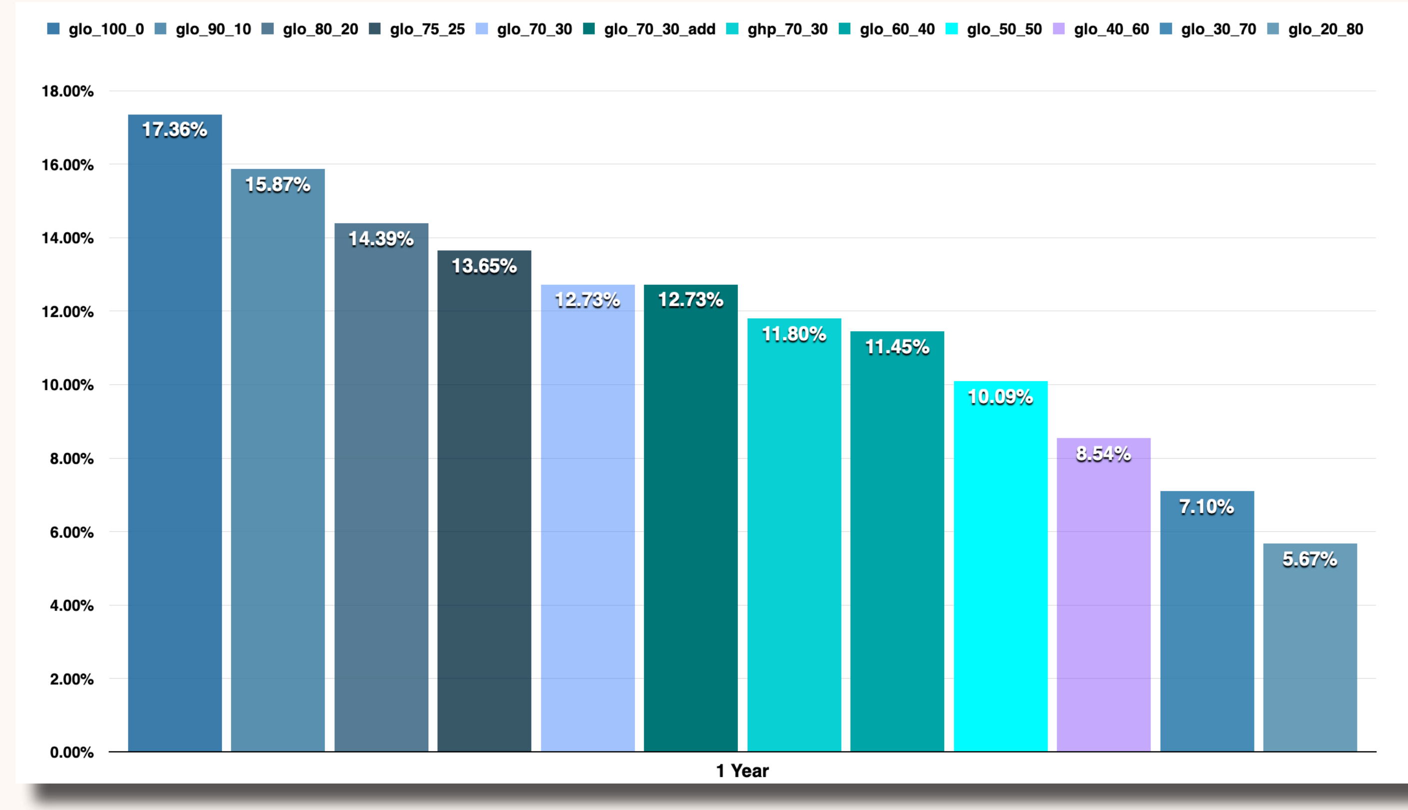
Some context: Tesla's current market value is $1.4 trillion. The company has delivered about 8.5 million vehicles to date. Its robotaxi program is currently being tested in just two cities, with a few dozen cars. Its Optimus robots aren't for sale yet. (The Wall Street Journal has helpful graphics illustrating how far Tesla has to go to meet some of those aims.)

That said, some critics have said that the pay plan gives Tesla directors too much leeway to award Musk stock even if the company doesn't achieve the product goals.
Andrew Ross Sorkin -- NY Times
November 7, 2025

I welcome your thoughts.
TF McKeon

CSCM Model Portfolio & Benchmark Update

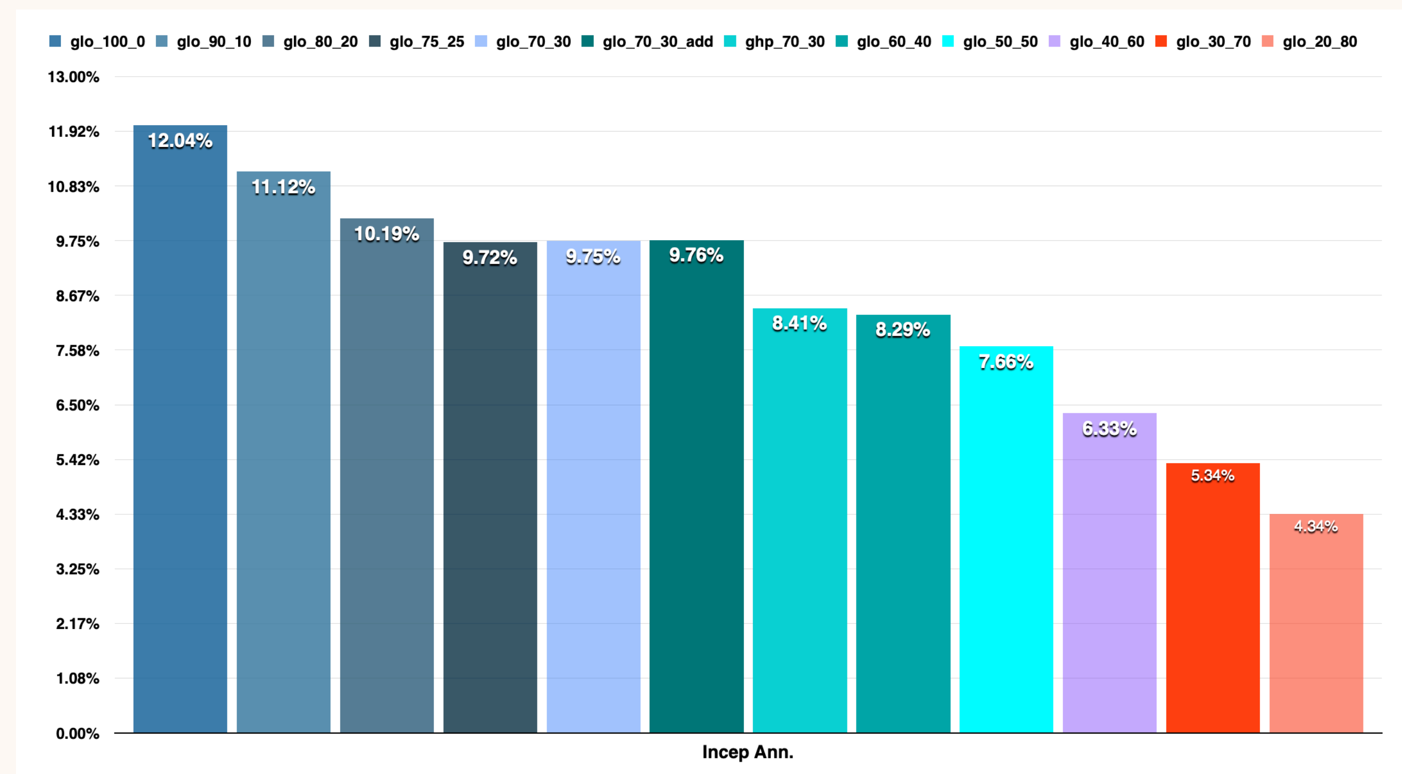




Our investment philosophy is organized around the simple principle of taking what the market gives us. So far this year the markets have given us much. Approaching midway through 4Q-2025, the markets have grown a little unsettled. Still, if we can finish the year near current levels, it will have been a very good year indeed.

The levers we work on as advisors are the big levers of asset classes and asset allocation. As always we will do our year-end rebalancing as market action changes portfolio weights and strategic tweaks to our models typically generate a little bit of trade activity. Valuations in large U.S. stocks remains extended while much of the rest of the U.S. (midcap and small cap) and global equity valuations are lower, some much lower. Our strategic re-balancing of models and portfolios will reflect those valuation realities. Bond prices are headed slightly higher as the Federal Reserve cuts rates and bond yields go lower.

We think the “de-dollarization” shift will continue both for economic policy reasons and for valuation reasons. Our year-end tweaks will reflect that as well.



[A change of pace this issue: The choral group Voces8 singing a piece by Gjello in latin, using the most amazing musical instruments: their voices. Have no idea what it means in Latin but the harmonies are beautiful and ethereal.]

Closing Thoughts

AI is in the air. Discussion around AI and its potential impact are now ubiquitous. Will it impact jobs? Will it impact the economy? Will college students rely on AI to do their work? If the money corporate America is lavishing on AI is an indication, their answer is surely yes. But much remains to be seen.

Any Google search now turns up an option to see an AI generated summary. In our financial field we have found this to be quite useful as the AI bots or algorithm scours the internet and produces a nice summary of the consensus.

As a skeptic at heart and a slow adapter by nature I am still in the "we'll see" phase. Not so sure that AI will ever be a Bach, Beethoven or Beatles. Will AI ever win an Oscar or a Nobel Prize? We'll see. Can AI help humans uncover biases and blind spots in their thinking? Most surely. And maybe that is where it can be most helpful.

We share a morning comment in this newsletter about the executive compensation package awarded to Tesla CEO Elon Musk. I do have an opinion which I will share in a future newsletter. In the meantime, enjoy the upcoming holidays.

Thomas F. McKeon, CFA | November 2025