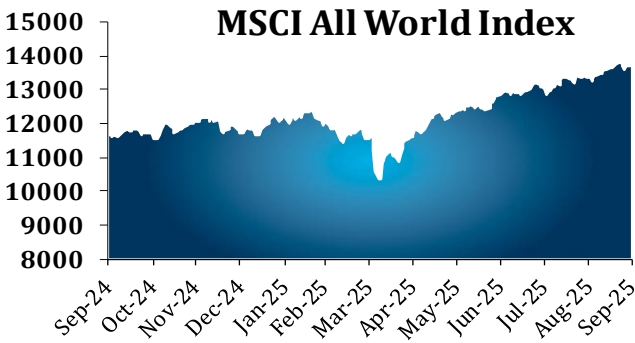
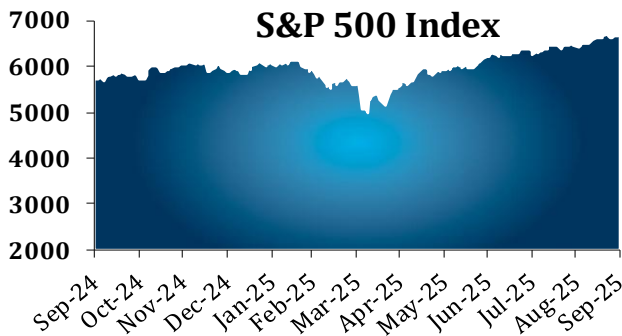


Stock Market Analysis

Economic Revolution



The life of an investment manager would be easy if economic and financial trends moved in a straight line. Unfortunately, our World is multidimensional, and an economic revolution occurs every generation that changes the dynamics of investing. Artificial Intelligence (“AI”) appears to be one of those generational changes. Many prognosticators believe that AI will be as important as the introduction of the internet or the industrial revolution. It is difficult to gauge the final outcomes until history is written, but we are already experiencing the beginning of significant productivity gains in multiple industries from AI. While there are already innovations in computer programming, entertainment, medicine and automation, it is becoming clear that most sectors of the economy will be impacted. The challenge that investors faced during the internet revolution is similar to what we face today. Which companies will be the winners and losers and how much of the news is already discounted in share prices? Put another way, who will be the Amazon or Google of this revolution versus the Netscape or AOL. For those of you who are not familiar with the latter two names, Google or ChatGPT them.

The large technology innovators continued to lead the equity markets higher in the third quarter with the Bloomberg Magnificent 7 Index jumping 17.6%. The MSCI All-World Index returned 7.6% in the quarter and gained 18.4% in the first nine months of the year. Investors appear less concerned about the U.S. trading disputes and are encouraged by potential AI productivity gains and falling interest rates. The Federal Reserve followed other global central banks and began lowering their benchmark rate in September. Stocks historically benefit from declining borrowing costs, and the Federal Reserve governors have indicated that there are further rate cuts to come over the next 12 months.

European equity indices have led global markets this year and the returns for dollar-based investors have been compounded by the 13.2% appreciation of the euro in 2025. The STOXX Europe 600 Index returned 24.9% in the first nine months of the year when measured in U.S. dollars. The European economy has remained resilient despite the negative impact of U.S. tariffs on their exporters. Fiscal and monetary stimulus will help European economic growth.

Stock Market Analysis



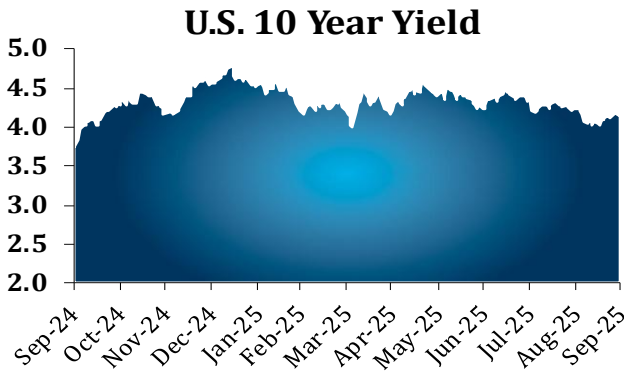
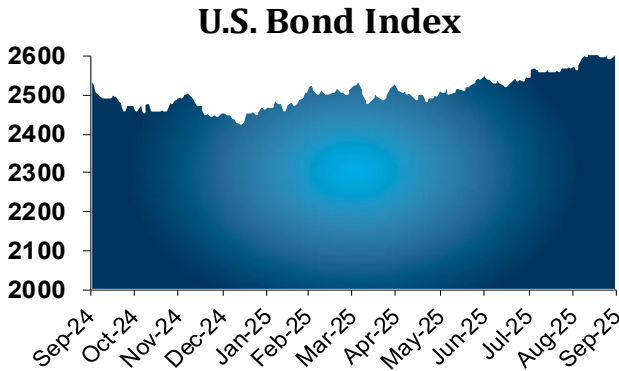
Looking forward, stock selection is critical as monetary stimulus should help some of the stock market laggards. The breadth of the market rally was weak in the first half of 2025 as many companies did not participate in the rally. The Russell 2000 Index declined in the first six months of the year but rebounded 12.0% in the third quarter, outperforming both the S&P 500 and MSCI ACWI indices. We would anticipate that this trend will continue with global monetary stimulus. While the sentiment in the housing market was very negative, Anchor added Toll Brothers at the end of the second quarter. Investors recognized the potential turnaround in the sector, helped by falling interest rates. The leading luxury house builder has returned more than 33% since the acquisition. The Anchor Equity Composite outperformed the MSCI All Country World Benchmark ("ACWI") by 1.1% and 5.5% in the third quarter and first nine-months of 2025 returning 8.6% and 23.9%, respectively. The equity composite has produced a 16.7% average annualized return over the past five years compared to 13.8% for its benchmark.

The Anchor High-Quality Income ("HQ") Composite returned 1.9% and 11.3% in the first nine-months of 2025 compared to 4.2% and 20.3% for the SG Global Quality Income benchmark. The underperformance this year is primarily related to Anchor's higher U.S. dollar exposure versus the benchmark which only has 26% U.S. stock exposure. The 13% appreciation in the euro and gains in other currencies versus the greenback drove the benchmark returns. We historically hold a higher U.S. exposure in the Anchor HQ portfolio versus the benchmark since most of our clients are dollar based. The HQ portfolio has produced a 10.9% annualized return over the past five years compared to 10.8% for the benchmark.*

*Performance is based on Anchor equity composite portfolios. Returns include changes in unit value, reinvestment of all distributions, investment management fees, execution, custodial and other charges. Investment results are best judged over the long term. Performance should be evaluated with consideration of the client's specific goals and investment objectives. Past performance is not necessarily indicative of future results. Returns for indices or benchmarks are provided in U.S. dollar terms and solely for informational purposes. These indices or benchmarks are non-managed indices that do not accrue advisory or transactional expenses. Benchmarks are based on the client's selected asset allocation and are calculated in U.S. dollar terms. The Anchor Equity Portfolio benchmark uses the MSCI AC World Total Return Index. The Anchor High Quality Income Portfolio benchmark uses the SG Global Quality Income (USD) Index.

Fixed Income Analysis

Central Bank Bonanza



Credit spreads tightened through Q3 and ended the quarter near historically low levels, mirroring the bullish tone across risk assets. After climbing in July and falling in August, Treasury yields finished the quarter modestly lower on balance. The 2-year fell 0.12% to 3.61%, while the 10-year declined 0.08% to 4.15%. At the front end, softer labor market data and expectations for a more dovish Fed once Chair Powell’s successor takes office weighed on yields. At the long end, persistent concerns over fiscal discipline and questions about the Fed’s institutional independence kept investors wary. Additionally, speculation about additional Trump-appointed governors — potentially a majority if Lisa Cook’s dismissal is upheld — added to uncertainty. Despite these headwinds, the U.S. dollar appreciated slightly in Q3 (DXY +0.9%), supported by relative growth outperformance.

September was a month of central bank meetings. The Bank of Canada and Norges Bank cut rates in September, though with differing tones: the BoC leaning dovish, Norges striking a more cautious note. In contrast, the ECB, BoE, BoJ, and RBA all held rates steady. Where last year saw a synchronized tilt toward easing, the global policy map has become far more fragmented, with domestic inflation and growth dynamics driving divergent outcomes.

As widely expected, the Federal Open Market Committee cut the fed funds rate 0.25% to 4.25% (upper bound). The move was broadly viewed as an “insurance cut,” reflecting the Fed’s balancing act between its dual mandate of maximum employment and price stability. On the inflation side, core PCE rose 2.9% year-on-year, still well above the Fed’s 2.0% target. On the labor side, payrolls disappointed again, with downward revisions for a second straight month. Weakness has been most acute among younger workers, where technological displacement (AI) is increasingly evident. Yet consumer spending remains resilient, with retail sales surprising to the upside and the Atlanta Fed’s GDPNow tracking Q4 growth at 3.8%.

Fixed Income Analysis



The updated “dot plot” underscored the Committee’s varying views. The median projection for year-end 2025 Fed Funds rate sits at 3.625%, implying another two cuts by year-end. Notably, one dot stood out at 2.785% — almost certainly Fed Governor Stephen Miran, a recent Trump appointee, whose dovish stance aligns with the president’s repeated calls for lower rates. For 2026, projections ranged widely from 2.625% to 3.875%. This exact divergence is also seen in the terminal rate forecasts (post-2028). The breadth of dispersion highlights just how little consensus there is among the FOMC.

With regards to the topic of Fed independence, the Supreme Court ruled that Governor Lisa Cook may remain in her role until her case is heard in January, after President Trump attempted to remove her via social media. The dispute underscores the risk of eroding Fed independence at a time of heightened government partisanship. Speaking of which, as we head into Q4 Washington has entered yet another government shutdown — the 15th since 1981 and the third under Trump — reflecting entrenched partisan divides over spending.



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