



Practical | Tactical



Summary

Stocks continued to melt up in October, and our portfolios thrived despite our relatively cautious posture.

The Fed scaled back its policy rate in October as anticipated but disappointed markets a bit by suggesting this may be the final cut for this year. We continue to believe that **the quicker the Fed moves to a fully neutral posture (closer to 3%) the better chance they have to keep rates higher for longer** and bring monetary policy in balance with economic activity and inflation.

AIP's success over the last few years has led to significant growth and we have decided it's time to **expand our team**. Rather than hire internally to support our back office and other needs, **we believe the best solution for our clients is to partner with a larger firm who can provide these services while allowing us to retain our independence and focus on tactical investment management**. We have been incubating such a relationship for the past 2 years, and we are dedicating page 3 to sharing details of exciting plans which we expect to become effective in the new year.

Key Market and Economic Data

- The S&P 500 advanced +2.3% in October, the Dow Jones Industrial Average increased +2.5%, and the Nasdaq climbed +4.7%. Year-to-date, the S&P 500 is up +16.3%, the Dow is up +11.8%, and the Nasdaq is up +22.9%.
- The Bloomberg U.S. Aggregate Bond Index posted a +0.6% gain in October. The 10-year Treasury yield concluded the month at 4.08%.
- International developed markets rose +1.1% in U.S. dollar terms using the MSCI EAFE index, while emerging markets surged +4.1% based on the MSCI EM index. Year-to-date, the MSCI EAFE index has gained +23.7% and the MSCI EM index +30.3%.
- Gold prices finished the month at \$3,997, after touching a new all-time high of \$4,336 earlier in October.

What to Expect in Portfolios

Last month we said, "We continue to believe prudent risk management is more important than trying to maximize upside until markets have had more time to digest recent gains."

Similar to the last few months, our portfolios continued to outpace Benchmarks in October despite our relatively defensive posture.

A pullback or correction is overdue, but **investors remain resilient and are likely to buy the dip, limiting downside** (especially through year-end). We are diversified and well positioned to weather turbulence as we continue to pursue long-term growth and income opportunities.

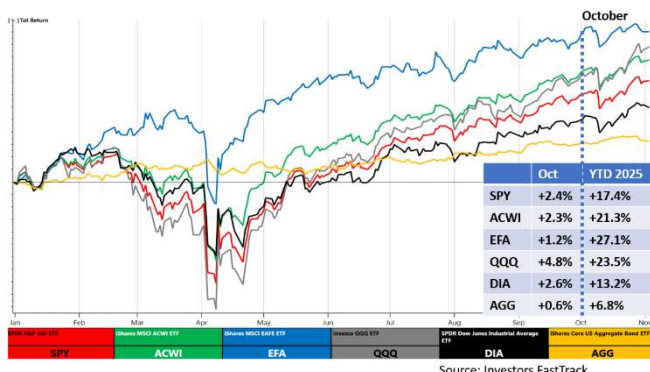
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October beat expectations. 2025 gains are impressive in their own right but especially considering the sharp -19% drop through April.

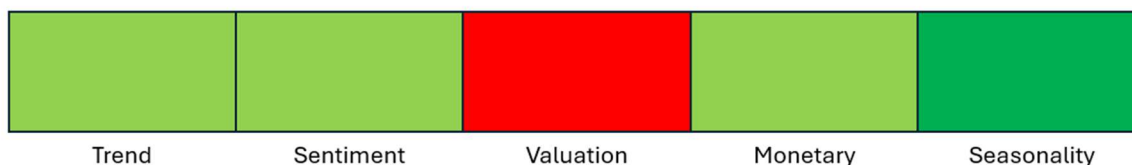
The rebound has been spectacular but is not unprecedented. A pullback or consolidation would be normal. Knowing that, we also never bet against a market with strong momentum.

The chart below shows the net performance of our most popular composite since inception (120 accounts – see disclosures on page 4). The 6+ years shown have been volatile including COVID and the 2022 Bear market. Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.



Insights and Commentary

Investing can be an emotional roller coaster, leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenants, (Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes) The tiles below summarize current conditions:



Broken Records:

It feels redundant to point out that **stocks continue to breach new record highs** despite short term volatility and a litany of concerns.

Last month's worries included an extended government shutdown, slowing growth and the potential that the Fed will pause cuts prematurely. This led to the biggest 1-day decline since April but stocks quickly recovered and delivered another month of gains.

Our indicators are more optimistic this month as **seasonality shifts from headwind to tailwind**. The Stock Trader's Almanac notes that most stock market gains have occurred between November and April.

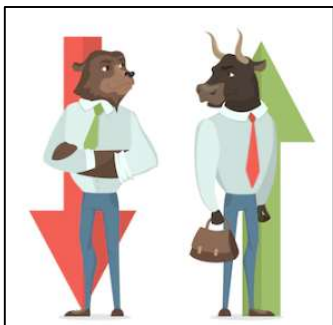
AI is exciting, related investments will continue to build and productivity gains are likely to be profound. That said, it's important to acknowledge that **innovation has been a staple of our economy for more than 100 years**.

For example, imagine how much less productive our businesses and how much smaller our world would be without electricity, automobiles, airplanes, telephones, cell phones, the internet or email (to name a few).

This is important because most innovation begins as a speculative investment, then as it approaches adoption, explosive infrastructure development and demand leads to huge profits and rewarding investments. Related **stock prices surge as investors contemplate how the world is changing and clamor to align portfolios to participate in the promise of future growth**.

Ironically, **growth often exceeds even lofty expectations, but those who pay too much end up owning great businesses that are lousy investments** for a decade or longer as hype fades and valuations normalize.

Being practical, **we embrace the promise of innovation and pursue growth opportunities but ignore the hype and respect the value of prudent risk management** knowing that trees don't grow to the sky.



Update, Observations, Indicators and Outlook:

Our **Market Pulse** continues to highlight a **Bull Market** supported by trend strength, an easing Fed and healthy investor skepticism.

Expanding our Team:

For the past few years, AIP has been providing tactical investment models to a larger RIA firm called Independent Solutions Wealth Management (ISWM) to complement their existing strategic asset allocation programs. Jason and Alexis have also been active participants on the ISWM investment committee and built a strong rapport with their advisors, support staff and management team.

ISWM has over \$1.4 Billion AUM and offices in New York, Florida, Texas and California. They've built an experienced trading desk, dedicated back-office support staff and a team of seasoned financial planners, analysts and consultants.

ISWM has agreed to allow Alexis and Jason to serve our private clients using their platform, giving us access to significant back-office support, the opportunity to work with Fidelity in addition to Schwab and improved technology, in exchange for our continued contributions to their investment team.

Alexis and I will continue to be the primary point of contact for our clients and will oversee all investment decisions related to your accounts. Although we will be managing your accounts through ISWM, AIP is not being sold and will continue to exist and manage our ETF independently from ISWM with only Jason and Alexis as named portfolio managers.

Ultimately, this partnership allows AIP to serve more clients, more efficiently. Alexis and Jason will remain an independent team but also be supported by a larger team, which could be helpful in the event of a disaster or future unforeseen health issue. Clients will continue to call, text and email us personally – and there will be backup who can resolve any immediate need if we are unavailable.

Alexis and Jason remain focused on our unique practical tactical investment strategy. We also enjoy providing tailored and comprehensive financial planning services and personally working with our clients to help you form, adapt and achieve your goals.

We are also excited to support the other advisors who work with ISWM so they can improve outcomes by leveraging our experience and strategies. This allows us to impact more lives and benefit by collaborating with other dedicated investment professionals.

Market Pulse:

We try to avoid jargon, but a few terms are helpful when describing financial conditions.

Bull Market: markets trending up (making higher highs on rallies and higher lows in periods of decline). We can expect periodic pullbacks and corrections, but these should be relatively short and shallow – followed by resumption of the up-trend.

Consolidation: after a period of strong gains or steep declines sometimes markets become range bound, moving up and down by 3-5% over several weeks. After consolidation, the prior trend resumes.

Pullback: a decline of 3-5% that generally happens at least twice per year. Pullbacks often resolve within a few weeks.

Correction: a decline of 5% to 10% that typically happens once per year. Like pullbacks, markets recover quickly after corrections, generally within 3- 6 months.

Bear Market: a decline of 20% or more. Many bear markets are fully recovered within 18- 24 months, but severe bear markets like 2000-2003 and 2007-2009 can take 5-7 years or longer to recover from.

Bottoming Process: After a correction or bear market, stocks often bounce and re-test lows multiple times before recovery.

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Closing Comments:

Several clients have recently been speaking with friends who are looking to make a change either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance and we are very grateful for your confidence and support!

Although our focus is on financial planning and investments, we also have relationships and resources to help with life and LTC insurance and annuities.

AIP acts as a 3(38) Fiduciary Advisor to 401k plans and has been able to help several small business owners reduce costs, significantly improve their plans and offload some of their liability as plan sponsors while creating a better experience for employees.

Please call and/or email me personally for most of your account servicing needs and especially when you have questions or concerns.

Disclosures

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Rebalancing assets in a portfolio can have tax consequences. Selling assets in a taxable account may result in a taxable gain. Alexis Investment Partners, LLC is neither a law firm nor a certified public accounting firm and no portion of this newsletter should be construed as legal or accounting advice.

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