

EQUITY STRATEGY FOCUS

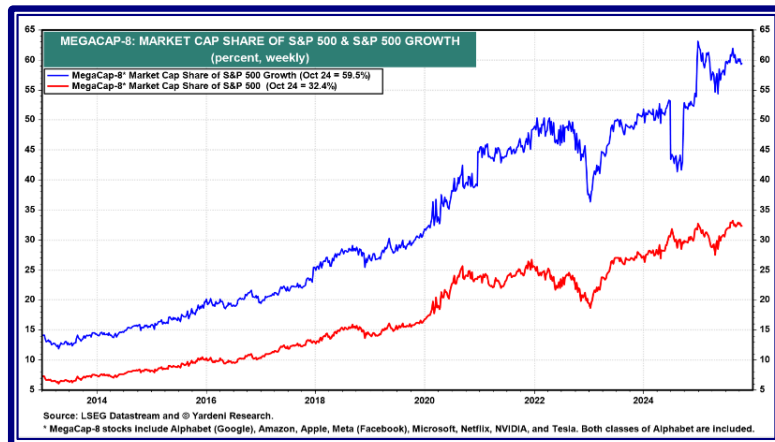
NOVEMBER, 2025

IN VIEW:

Year to date through September the performance of the S&P 500 index and Russell 1000 Value index climbed 14.75% and 11.92% respectively. A majority of the Mega Cap 7 stocks continue to dominate markets. And this year, with the addition of Alphabet, Amazon, and Meta into the Russell 1000 Value index, their influence has broader reach. For example, the total return of the value benchmark drops to 10.55% when the Mega 7 stocks are eliminated, and the S&P 500 benchmark falls to 8.62%.

Mega Cap 7 Stocks Account for
32% of S&P Market Cap and 60% of Growth

The AIM equity composite performed in line with the broader stock market returns.



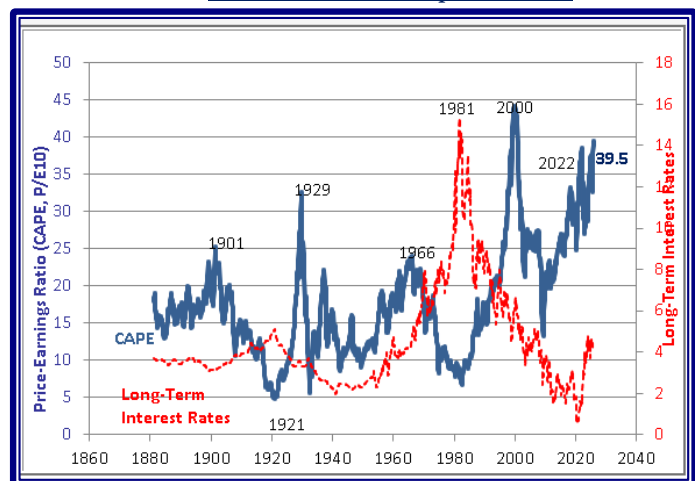
Higher multiples and rising corporate profit share of GDP appear to be driving market expectations into next year. Elevated valuations highlight the reliance upon continued earnings surprises and expose vulnerabilities surrounding a corporation's ability to meet these expectations. The market remains narrow with the Mega 7s accounting for 32% of the market cap of the S&P 500 index. While the market is more concentrated as compared to the height of the tech bubble, earnings growth is more abundant now during this

AI driven bull market versus the late 1990s. Stock price movements in response to recent earnings releases indicate surprises to the upside are priced in more so than surprises to the downside. Companies that beat estimates in Q2 were rewarded less than companies were punished for missing estimates.

The Shiller CAPE ratio is a valuation metric that employs the market's price to earnings ratio. It looks at the market price to earnings ratio over a 10-year period and adjusts it for inflation and economic market cycles. This helps assess the degree to which the stock market is over or undervalued. Currently the ratio stands at 39. The ratio has only exceeded 30 two times historically, leading

Shiller CAPE Ratio Implies Caution

up to market peaks in 1929 and 2000. This is not to say markets are indeed prime for a sharp correction, but it's a reminder of the fragility in the market place as speculative trading practices become common place. Prominent Wall Street investor Warren Buffet for example has been raising cash and remaining on the sidelines. This may not necessarily mean that Buffet believes companies in general have lost the potential for growth, but rather it implies he views the current level of stock prices as too expensive.

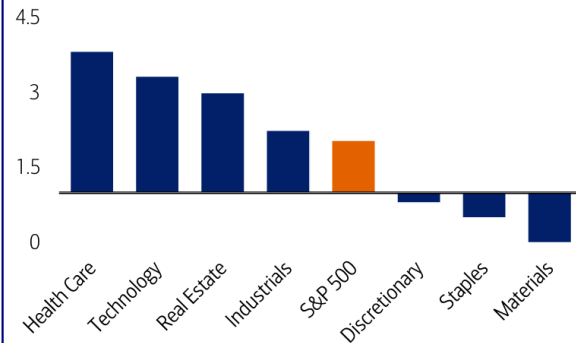


Q3 earnings are coming in strong with 90% of companies having reported thus far. 61% of companies surprised to the upside on both top and bottom line as compared to a longer-term average of only 41%.

Eps growth is trending at 13% year over year, with revenues (ex: financials) up 8%. Net margins are on track to deliver a record 13%. 2026 revisions are in an uptrend with the cuts in response to broad tariff announcements on April 2nd having largely been reversed. Earnings growth has indeed broadened, but Technology is expected to maintain its significant lead with AI as the dominant contributor to capex. However, capex spend, currently under pressure from tariff uncertainty, should expand into other sectors as companies strive to bring manufacturing back onto U.S. soil. Corporate sentiment appears to be improving, after initially faltering earlier this year in response to tariffs.

Healthcare and Tech Lead in Guidance

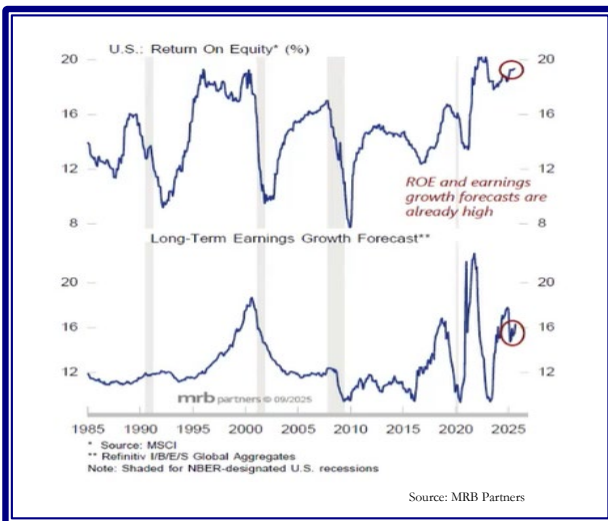
S&P 500 guidance ratio by sector in Nov-Dec (# of above-consensus guides vs below consensus guides), as of 11/7/2025



Source: Bloomberg, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

The Bar for Equity Returns is High



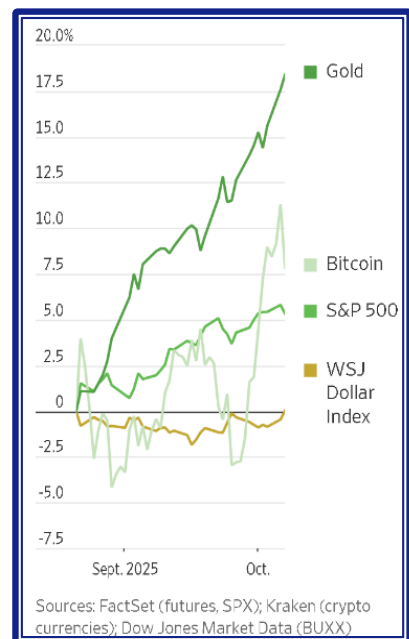
As consensus earnings estimates move higher, the bar for corporations to surprise on the upside is more challenging. Return on equity, long term growth forecasts, as well as expectations for future profit market margins are already elevated. According to analysis from MRB Partners, the forward price to earnings multiple for the overall equity market is 23x compared to the historical average of 16x. This is mostly due to the surge in Technology and Communication Services sector valuations as AI continues as a dominant theme.

The U.S. Dollar Has Under-performed Since Powell's August Speech

Although markets have broadened this year,

speculation remains high as evident by rising portfolio betas. The next few earnings seasons will serve as a test for whether investor enthusiasm for AI can continue to support elevated valuations. Forecasted earnings are expected to slow somewhat in the Q4. Consensus estimates according to Yardeni Research call for +14% in Q3, with growth slowing to 8.2% in Q4. This compares to +10.4% growth in Q2. Analysts continue to anticipate an economic boost from tax cuts in 2026 will support earnings growth of +13.8% in 2026.

Investors have been favoring gold, bitcoin, and U.S. stocks as they shift away from the U.S. dollar. Questions surrounding the independence of the Fed, sticky inflation, rising U.S. debt levels, speculative trading, and the government shutdown are all contributing to U.S. dollar weakness. This debasement trade has accelerated particularly since the Fed's recent decision to begin unwinding its restrictive policy. Anticipated additional interest rates cuts into next year are lifting inflation expectations and boosting yields on long term government debt.

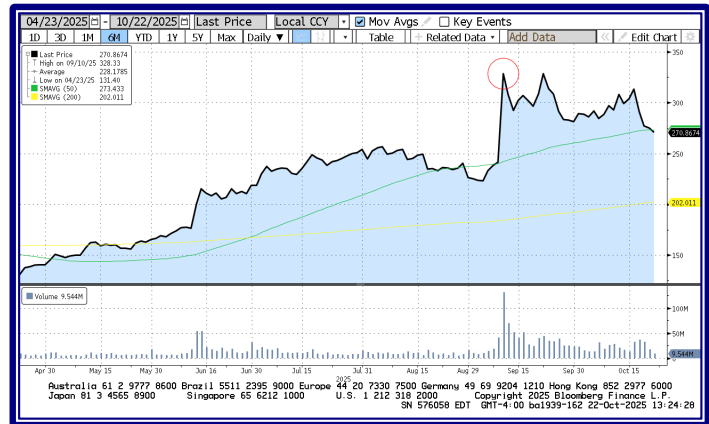


Source: The Wall Street Journal Oct. 7, 2025

CLOSE-UP: Equity Sector Overview

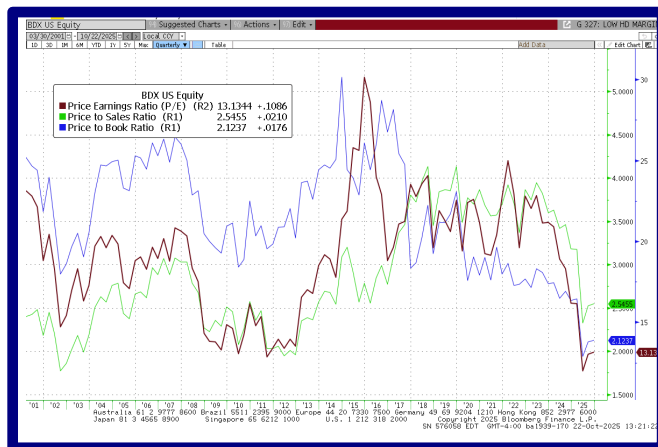
After trading up over 80% this year, we trimmed the AIM composite position in **Oracle (ORCL)** in early September. ORCL's Q1 earnings reported a surge in its AI-fueled cloud infrastructure business, citing significant backlog growth of over 200%. Upon this news the stock soared over 35% on the day. We took advantage of this opportunity to trim shares. ORCL has a diverse offering deck with database and application solutions as well as a leading software platform. Although challenges remain in its long-term profitability with capex increases, ORCL continues to capture share in a rapidly growing market. As a primary AI provider, ORCL's cloud infrastructure is experiencing rising demand as evidenced by its surge in remaining performance obligations. ORCL's integrated enterprise software and database solutions result in high switching costs that help maintain its competitive advantage. Its strategic initiative towards multi-cloud database capabilities provides greater flexibility to customers to use other major cloud platforms in order to maximize workloads and optimize cloud spend.

Oracle Traded Up Over 35% in a Single Day



Early in the third quarter, funds from the sale of **Conagra (CAG)** shares were used to purchase a position in **Becton Dickinson (BDX)**. CAG is a leading food company and services brand in the Consumer Staples market sector. In 2022, CAG protected the portfolio trading up 17.5% when the S&P 500 index sold off a sharp -18%. Since that time, CAG struggled with inflation cost pressures and has had limited success with mergers and acquisitions. Shares of BDX are attractively valued at a trailing twelve-month price to earnings ratio of 13x. The industry has the support of strong demand, stemming from an aging population, access to healthcare, and an expansion in diagnostics. Its planned separation of its biosciences and diagnostics segment from its medical technology business is expected to unlock value, streamline focus, and accelerate growth. As a pure play in medical technology, the slimmed down company can focus on its medication delivery, connected care, and biopharma systems businesses. The separated diagnostics and biosciences segments focus on life sciences and include testing for infectious diseases, cervical cancer screenings, flow cytometry (cell analysis) instruments and single-cell analytical tools.

Attractive Valuations at BDX



The bank earnings season began strong with **Bank of America** beating on trading revenues and net interest estimates. The bank cited relatively low unemployment, healthy real estate and equity market values for strength in its commercial and consumer businesses. Investment banking fees also saw a surge exceeding management's forecasts. Citigroup also beat analysts' revenue estimates across all of its major lines of business. A strong economic foundation coupled with consumer strength and internal bank restructuring worked to boost earnings. According to Yardeni analysis, the growth rate in commercial bank loans and leases is trending upwards at an accelerated rate, as compared to earlier

this year. This is indicative of strength in economic activity.

On the other side, however, banks continue to carry high levels of loan loss reserves which illustrates some level of concern over economic resilience. The anticipated reversal in Fed policy to a lower rate environment - along with a soaring stock market - creates an opportunity for banks. Those with investment banking exposure stand to prosper from higher fee revenues, due to increased M&A activity and security issuance.

Fidelity National Information Services (FIS) shares have been under pressure, due to declining free cash flows and revenues in Transaction Services from its Worldplay separation. FIS struggled with integrating the two companies amid evolving demands and intense competition. With this transaction in the rear view, FIS can now focus primarily on being a bank technology provider. This is considered a relatively stable business in which it maintains a competitive advantage. FIS beat on both the top and bottom line in Q3. Margin improvement was notably due to strong client retention in banking. Capital markets margins were supported by recurring revenues and a rebound in lending. Improvement in overall free cash flow conversion is evident as management raised its full year guidance. They also announced share buybacks stemming from inline capex and working capital improvements.

Healthcare stocks in aggregate have been trailing the S&P 500 index since early 2024, with the overall market advancing 42% as compared to the healthcare index +7.82%. As a value-oriented investment, this out of favor market sector that tends to outperform in bear market environments or choppy markets presented opportunities for additional long-term purchases. In 2024, Baxter (BAX) came into focus when the IV manufacturing facility in North Carolina was overrun by Hurricane Helene, causing significant damage and impacting coincident earnings that we believed was only a temporary setback. That same year, BAX created some uncertainty associated with proactively restructuring its new business model. As a prudent strategy, given the extended run in the equity markets from the Covid recession lows in early 2020's, we added to this defensive industry sector. We continued to proactively increase our healthcare exposure in the equity composite from a valuation perspective by adding to our Hologic holdings as well as establishing a new position in Becton Dickinson. Unfortunately, at the end of July, BAX ran into an additional problem with its IV fluid pump devices. At this point, the stock has weakened considerably since the 2nd quarter. In its recent earnings call, BAX cut its forward earnings guidance 3-4% for the full year. The company is moving forward with a new CEO who has outlined a margin-focused operating model, centering around profitable growth and debt reduction. Many of the issues we have outlined are being addressed by the company, solidifying our conclusion that the shares are now significantly oversold.

Cigna (CI) announced on a recent conference call that they renegotiated Primary Benefits Manager Services contracts (Express Scripts/Evernorth) with the Department of Defense plus two additional contractors. They also outlined a significant change in their Primary Benefit Manager payment model which will result in "significant margin pressure" in the health insurer's pharmacy benefits segment unit going forward. To offset what is likely short-term headwinds, management is focusing on higher margin health insurance by concentrating on employer-sponsored and Affordable Care Act exchange plans. In pharma, CI is investing in its specialty pharmaceuticals geared towards more complex diagnoses. The specialty drug market is forecast for continued growth, due to new product pipelines and rising demand from patients with chronic conditions.

SUMMARY:

Maintaining diversification amongst high-quality stocks with strong fundamentals remains essential, as we continue to caution over high stock valuations and equity speculation. We believe that identifying opportunities for growth at reasonable prices - in a diversified basket of stocks across most market sectors - is key to long-term investment success. This earnings season should provide some clarity as we pay attention to corporate sentiment, impacts from tariffs, capital expenditure plans, and consumer demand trends. With valuations high and expectations already baked in for many large companies, there's little room for major earnings misses.

This earnings season could be a key inflection point. If companies beat and deliver strong forward outlooks, that could reinforce optimism. If many stumble or the tone is cautious, it could raise doubts about the sustainability of valuation levels. As a result of historically high market valuations, the bar has been raised significantly for companies to beat earnings expectations. Any disappointment has had a significant impact on share price performance during the quarterly conference calls.

We maintain a positive long-term outlook that favors equities over bonds. We recommend a disciplined, fundamentals-based investment approach and diversification across sectors as the market continues to broaden.

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Any performance reference represents a hypothetical composite compiled from actual equity, fixed income or balanced client portfolios and includes cash. These three composites reflect aggregated returns that address differing objectives. As such, the performance of each composite does not reflect the actual total portfolio returns earned by our clients. The investment performance records are compiled from a capital weighted average of the equity, bond and cash components of a broadly representative group of discretionary accounts that meet certain minimum size thresholds.

No gross performance returns that are referenced that are calculated after brokerage commissions but before investment counsel fees are presented without the comparable net performance figures after both commissions, investment counseling fees and other custodial charges. The net counseling fees are the actual average counseling fee calculated across all the portfolios included in the composite. All performance figures are presented on a time-weighted total return basis and assume all income is reinvested. The investment advisory fees are disclosed in Part II-A of the Investment Form ADV. Some clients may benefit from available discounting in the management fee schedule associated with the overall size of the portfolio. Management fees will reduce overall returns to the client.

The composites were created in 2001 and the inception dates start on August 17th, 2001. The composites include only discretionary fee-paying accounts managed in the strategies, and additional information associated with the composites are available such as: dispersion in individual portfolio results as well as the % of the firms AUM in the strategy. All performance calculations are presented within the GIPS® guidelines of the CFA Institute. The CFA institute does not endorse or promote this organization nor does it warrant the accuracy of the content herein.

Investing entails inherent risks and results may be altered by material market or economic conditions. Investment returns and principal values may fluctuate, and losses are possible. Past results are not a guarantee of future comparable results or trends. Our process benchmark is the S&P 500 Index with dividend reinvestment, and our performance benchmark is the Russell 1000 Value Index with dividends reinvestment.