

"The pioneers light the trail, but the harvest belongs to those who follow."

As we enter the final stretch of 2025, markets have come a long way from their recent lows experienced in April of this year. In fact, after nearly a 20% pullback from the February highs into April, stocks have rallied roughly 30% from those "tariff-threat" induced lows. Investors have benefited from a powerful recovery fueled by moderating inflation, resilient corporate earnings, reduced tariff threats, and growing optimism around productivity gains driven by artificial intelligence and automation. While the Federal Reserve's shift toward rate cuts has added a tailwind, a lot of that good news has now been reflected in growth areas of the market.

That doesn't mean the story is over, but it does mean the easy part of the recovery may be behind us. After such a strong advance, a period of consolidation or sector rotation could be entirely normal. We could see a bit of a shift away from the growth-oriented, technology-heavy names that have dominated the market, to more defensive or dividend-paying areas. Furthermore, this shift could occur if investor expectations about the outlook for tariffs, the U.S Dollar, interest rates, and growth of the economy begin to change. For investors, we believe that staying diversified and maintaining discipline would therefore remain important.

We continue to believe we're living through the early stages of the "fourth industrial revolution". Advances in AI, robotics, and data analytics are driving productivity and reshaping entire industries. While not every company will benefit equally, these innovations have the potential to sustain economic growth and improve living standards for many years in the future.

The upcoming earnings reports may be good as the Magnificent 7 large tech companies could see continued growth. The market has also been broadening out in anticipation of more companies benefitting from the current economy and lower interest rates. We believe that the Federal Reserve will likely lower these rates again on October 29, on their way to fulfilling 3 interest rate reductions by year-end. Though the government shutdown could continue, good earnings, AI enthusiasm and interest rate cuts may matter more in the short-term. An extended government shutdown needs to be monitored; however, the real risk would be an escalation in the U.S – China trade tensions.

Though we remain cautiously optimistic, we are interested to see how markets respond to earnings and events over the next several weeks. This response could give us clues of whether investors are expecting a slowdown, increased tariff issues, or



11766 Wilshire Boulevard, Suite 845
Los Angeles, California 90025
310.893.6060
www.LSAdvisors.com

QUARTERLY REVIEW & OUTLOOK

Q3-2025

continued growth going into the first quarter of next year.

Please reach out any time with questions or to discuss your portfolio further.

Ralph Scott
Chief Investment Officer

Craig Weston
Senior Managing Director

DISCLOSURES:

L&S Advisors, Inc. ("L&S") is a privately owned corporation headquartered in Los Angeles, CA. L&S was originally founded in 1979 and dissolved in 1996. The two founders, Sy Lippman and Ralph R. Scott, continued managing portfolios together and reformed the corporation in May 2006. The firm registered as an investment adviser with the U.S. Securities and Exchange Commission in June 2006. L&S performance results prior to the reformation of the firm were achieved by the portfolio managers at a prior entity and have been linked to the performance history of L&S. The firm is defined as all accounts exclusively managed by L&S from 10/31/2005, as well as accounts managed in conjunction with other, external advisors via the Wells Fargo DMA investment program for the periods 05/02/2014, through the present time.

L&S claims compliance with the Global Investment Performance Standards (GIPS®). L&S has been independently verified by Ashland Partners & Company LLP for the periods October 31, 2005 through December 31, 2015, and ACA Performance Services for the periods from January 1, 2016 to December 31, 2024. Upon request to Sy Lippman at slippman@lsadvisors.com. L&S can provide the L&S Advisors GIPS Report which provides a GIPS compliant presentation as well as a list of all composite descriptions. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

L&S is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC") and is notice filed in various states. Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that L&S or any person associated with L&S has achieved a certain level of skill or training. L&S may only transact business or render personalized investment advice in those states and international jurisdictions where we are registered, notice filed, or where we qualify for an exemption or exclusion from registration requirements. Information in this newsletter is provided for informational purposes only and should not be construed as a solicitation to effect, or attempt to effect, either transactions in securities or the rendering of personalized investment advice. Any communications with prospective clients residing in states or international jurisdictions where L&S and its advisory affiliates are not registered or licensed shall be limited so as not to trigger registration or licensing requirements. Opinions expressed herein are subject to change without notice. L&S has exercised reasonable professional care in preparing this information, which has been obtained from sources we believe to be reliable; however, L&S has not independently verified, or attested to, the accuracy or authenticity of the information. L&S shall not be liable to customers or anyone else for the inaccuracy or non-authenticity of the information or for any errors of omission in content regardless of the cause of such inaccuracy, non-authenticity, error, or omission, except to the extent arising from the sole gross negligence of L&S. In no event shall L&S be liable for consequential damages. L&S' current disclosure statement as set forth in ADV 2 of Form ADV as well as our Privacy Notice is available for your review upon request.