The Narrative that Burned Out

GOELZER
INVESTMENT MANAGEMENT

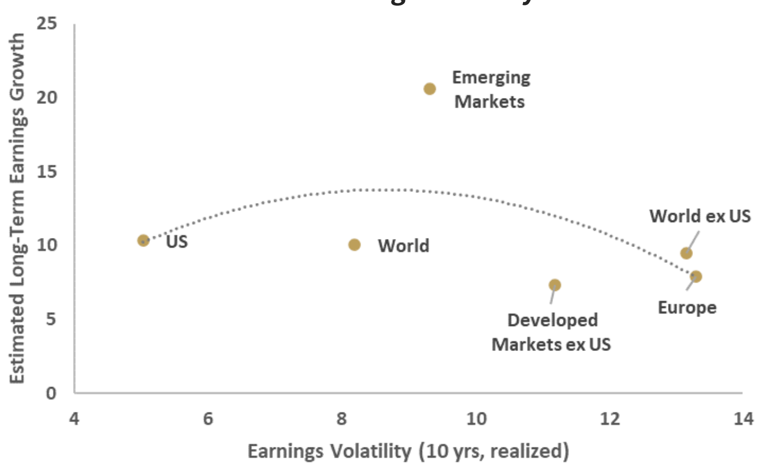
The hot narrative for the first half of 2025 was "The End of American Exceptionalism." That narrative gained traction after international large-cap stocks outperformed U.S. stocks by over 10% in Q1—the largest margin in more than 15 years. At the time, we noted that while dramatic, the narrative was premature. Much of the outperformance was a reversal of the prior quarter's U.S. strength. Indeed, for the trailing 12 months through September, U.S. stocks have outpaced international peers.

Those questioning the durability of America's exceptional era rightly point to real challenges. Yet, the United States retains long-term advantages that support its status as the preeminent investment economy. Among these are favorable demographics and a culture of innovation, backed by deep, liquid capital markets.

Also worthy of note is the consistency of corporate earnings growth. While U.S. stock markets are more expensive than many international markets, that price reflects both superior projected earnings growth and the stability those earnings have exhibited over time.

In short, the spring's hot narrative has cooled—and for good reason.

Expected Earnings, By Region
With Earnings Volatility



*Bloomberg, performance of iShares ACWI ex US ETF relative to S&P 500, total returns.
Chart: Goelzer, Bloomberg, October 10, 2025. Bloomberg All Cap Equity Indexes, by Region. Long-term earnings growth is Bloomberg estimates of compounded annual growth of operating earnings per share over a full business cycle (typically 3-5 years). Field BE017.

Economy

Last Week	*This Week*
- U.S. Government Data Releases Are Affected by Government Shutdown	*- Initial & Continuing Jobless Claims (Oct. 11 & 18): 10/23*
	- Existing Home Sales (Sept.): 10/23
	- Consumer Price Index (Sept.): 10/24
	- U of Mich Sentiment (Oct. F): 10/24

Equities

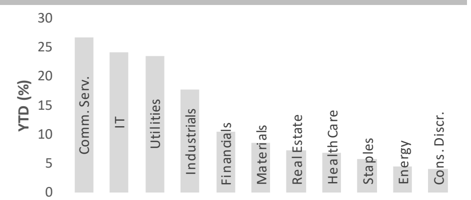
Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6735	1.22	0.75	15.68	16.31	23.28	16.10
Russell 1000 Growth	4757	0.83	0.85	18.16	24.05	30.32	17.22
Russell 1000 Value	2016	1.63	0.62	12.33	7.94	15.12	13.36
FTSE High Dividend Yield*	512	1.18	0.15	12.88	10.39	15.09	14.74
S&P Small and Mid Cap	18143	1.60	0.17	5.45	3.41	12.98	12.02
MSCI EAFE	2813	1.98	1.73	27.96	20.49	22.64	11.79
MSCI EM	1383	2.23	2.81	31.75	23.03	20.32	6.97

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield
S&P 500	22.2	15.5	1.2
Russell 1000 Growth	29.8	18.0	0.5
Russell 1000 Value	17.0	13.5	2.0
FTSE High Dividend Yield*	13.4	13.0	3.9
S&P Small and Mid Cap	15.2	15.4	1.8
MSCI EAFE	15.5	13.5	2.9
MSCI EM	13.5	11.2	2.4

S&P Sector Returns YTD



** Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.*

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.21	0.60	1.18	7.39	5.58	6.22	-0.15
U.S. Int. Gov/Credit	3.82	0.40	0.78	6.53	5.71	5.81	0.99
U.S. Corporates	4.69	0.74	1.14	8.10	6.11	8.44	0.56
High Yield	6.75	0.65	0.02	7.25	7.58	10.87	5.23
Municipals (1-10)	2.94	0.26	0.49	4.64	3.94	4.45	1.35

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.46	3.48	3.61	4.24	4.03	4.61	0.15
10-yr Treasury	3.98	4.03	4.15	4.57	4.21	4.23	0.82
30-yr Treasury	4.57	4.63	4.73	4.78	4.50	4.22	1.64
SOFR	4.16	4.19	4.24	4.49	4.83	3.03	0.07
6-mo. CD rate	3.83	3.86	3.94	4.33	4.57	4.99	0.27
Prime Rate	7.25	7.25	7.25	7.50	8.00	6.25	3.25
30-yr fixed mortgage	6.36	6.39	6.36	7.28	7.09	7.32	3.03

Data as of 5:25 PM ET, October 21, 2025. Returns through October 20, 2025.