

FSA INSIGHTS

CARRY ON WAYWARD SON: STAYING THE COURSE IN UNCERTAIN TIMES

Much like the classic Kansas anthem “Carry On Wayward Son,” this month’s message is about perseverance—continuing forward even when the path feels uncertain. The first eight months of 2025 have tested that resolve, yet the results affirm the value of discipline. Both stocks and bonds have delivered positive returns year-to-date, and global diversification has rewarded those who have stayed invested. The journey has not been without challenges, but history, and the data, remind us that progress often comes through persistence. History offers a clear lesson: stepping aside during volatility often means missing the recovery. The last five years have delivered above-average diversified returns despite a backdrop that included a global pandemic, historic inflation, and sharp interest rate adjustments (see Figure 1). Headlines do not dictate long-term outcomes—behavior does.



2020 first half included:

1. Global pandemic
Worst in 100 years
2. Deep economic recession
One of the fastest in history
3. 20%+ equity drop
Impacted all markets

Ramifications lead to:

- Historic inflation levels
- Historic stock and bond pullback in 2022

Five-Year Index Portfolio Total Returns % Ending June 2025

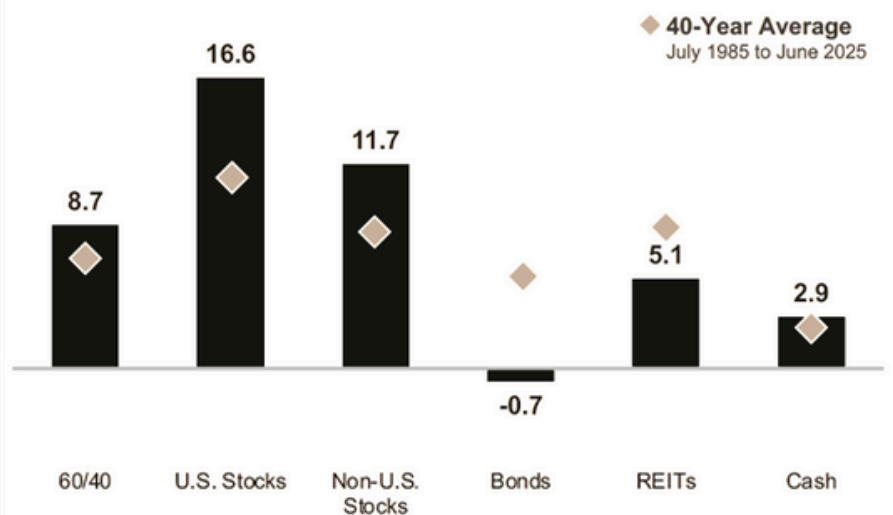


Figure 1: Sources: Russell Investments, FSA-IG. 60/40 portfolio – 40% S&P 500 Index, 20% MSCI EAFE Index, 40% Bloomberg U.S. Aggregate Bond Index; Cash: Citigroup Treasury 3Month T-bill Index, U.S. Stocks: S&P 500 Index, Non-U.S. Stocks: MSCI EAFE Index; Bonds: Barclays U.S. Aggregate Bond Index, Cash: Citigroup Treasury 3Month T-Bill Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

The economic backdrop remains nuanced. While U.S. recession risks have eased, they have not fully disappeared. Labor market growth has slowed considerably. The Bureau of Labor Statistics just revised the job numbers down 911,000 over the past year. The August report showed that the U.S. experienced its first net loss of jobs in June for the first time since late 2020. Additionally, most of the job gains this year have been healthcare related. Meanwhile, the goods sector has now had three consecutive months of negative job growth. When you combine that with 32 of 34 months where the manufacturing ISM survey has shown negative growth, it becomes difficult to argue we are not in a manufacturing recession. The unemployment rate has risen to 4.3%, but there are concerns that a lack of worker supply is artificially dampening this number. There are some estimates that unemployment would be closer to 5.0% if supply had not been curtailed in recent months.

As such, we believe the Federal Reserve will begin cutting rates to help housing, lower income workers and small businesses. Furthermore, we still see some encouraging signs which should keep growth positive: temporary help employment has stabilized, corporate debt service has improved, and real income growth continues to support household spending. In fact, we have now seen 25 consecutive months of positive real (e.g. inflation-adjusted) wage growth as of August 2025, a powerful tailwind for consumer resilience. Nominal GDP growth reinforces this strength. Since 2021, the U.S. economy has averaged 8.4% nominal growth through Q2 2025, far outpacing the prior two decades. While the pace may moderate, the underlying trend suggests that near-term downturn risks may be less acute than widely feared.

Looking across asset classes, opportunities remain compelling. Many diversifying equity strategies—such as non-U.S. developed markets, emerging markets, and global infrastructure—are still trading at discounts relative to U.S. equities, even after strong recent performance. In fixed income, the story is equally encouraging. After more than a decade of historically low yields, today's higher rates offer a foundation for improved forward returns. Current yields are among the most reliable indicators of future bond performance, and by that measure, the outlook is stronger than it has been in years.

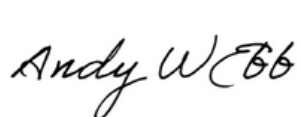
Our philosophy remains unchanged: risk management first, returns as a byproduct. Adaptive strategies, thoughtful diversification, and disciplined allocation are the tools that allow us to navigate uncertainty without sacrificing long-term objectives. We believe this approach is the surest way to preserve capital, capture opportunity, and deliver sustainable results for our clients.

Still, uncertainty persists. Policy debates, geopolitical tensions, and tighter credit conditions create a challenging environment for decision-making. These are the moments when discipline matters most. Our commitment is to steer with clarity, grounded in data and guided by principles that have served investors well through countless cycles. As we look ahead, we remain constructive on the global economy while mindful of the risks that could challenge markets in the months to come. As the economy moves through the worst of the tariff impacts, we expect Fed rate cuts and a reacceleration of growth in part due to the One Big Beautiful Bill to support equity markets in 2026. Many of the corporate tax provisions incentivize companies to invest now, rather than later, such as bonus depreciation on equipment, immediate deduction of Research & Development and fully expensing of new factories. Our belief is that these provisions will drive the equity market to broaden out and the stocks that have not done as well as the Magnificent 7 should outperform going forward.

In closing, let us return to the spirit of Kansas's anthem. The road ahead may twist and turn, but perseverance and conviction will carry us through. We will continue to navigate with purpose, eyes on the horizon, and confidence in the long-term plan.

Carry on—because the best outcomes belong to those who stay the course.

Respectfully,



Andy Webb
Chief Investment Officer



Brett Akers
Director of Investments

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TO THOSE WHO STAY THE COURSE.

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Past performance is not indicative of future results. Index returns are presented for comparison purposes only and do not represent actual portfolio performance. You cannot invest directly in an index. Investing involves risk, including the possible loss of principal. Forward-looking statements are based on assumptions that may differ materially from actual events.

Performance data referenced herein is as of June 30, 2025, unless otherwise noted. Real wage growth data is as of August 2025. Nominal GDP averages are based on U.S. Bureau of Economic Analysis data through Q2 2025.