Fed turns to risk management

OUTLOOK & TACTICAL UPDATE | OCTOBER 2025

MANAGER Outlook

Effective October 31, 2025

The Big Picture:

- The U.S. economy is holding up at the aggregate level, but disparities remain.
- Inflation is likely to stay sticky, but not to soar.
- The U.S. Federal Reserve (Fed) leans toward easing monetary policy amid labor market fragility.
- Cougar has marginally reduced its probability of **Recession**, while adding to **Chaos**.
- Portfolios remain diversified across market capitalizations and sectors.

Our **October Macroeconomic Scenario Analysis** continues to underscore the persistence we expect from inflation and moderate growth. We marginally increased our probability of **Inflation** from **45%** to **46%**. The latest inflation report, released with a delay because of the U.S. government shutdown, showed a slower pass-through of tariffs to consumers. Firms have been cautious about raising prices while tariff outcomes remain uncertain. An adverse U.S. Supreme Court ruling on the president's tariff authority would force the administration to refund some of President Trump's tariffs. So companies largely adopted a wait-and-see approach. We expect inflation to remain above the Fed's target over the next year, but not to accelerate sharply.

Overall, the U.S. economy remains resilient despite the slowdown in employment growth. But this backdrop masks disparities within the economy. **The bottom half of earners are the most vulnerable, because they have very low levels of liquid assets but higher non-mortgage debt than the upper half.** Their consumption levels are relatively low and unlikely to materially alter the broader economic picture. Still, the strain on this group can intensify, which requires our continuous monitoring.

The Fed resumed its monetary policy easing in September, with Fed Chair Jay Powell calling the September Fed decision a "risk management cut." The Fed delivered another interest rate cut in October, but downplayed expectations for a December cut. The ongoing government shutdown may delay the resumption of official economic data releases for October and November until mid-December. **Hence, a December cut by the Fed is still a possibility if concerns about labor market fragility persist.**

As long as the U.S. economy slows gradually, recessionary risks remain contained and earnings are likely to hold up. We reduced our **Recession** probability from **11%** to **10%** and raised the **Chaos** probability from **15%** to **16%**. Certain "left-tail," or worst-case, risks can unleash sudden spikes in volatility. The United States is now experiencing the longest government shutdown on record. Concerns about the Fed's independence continue to linger. Although the trade tensions between the United States and China have somewhat eased after the last meeting between the two presidents, the underlying structural issues between the two countries remain unresolved.

Portfolio update: Portfolios remain diversified across the market cap spectrum and individual sector positions. We initiated a 2% to 4% allocation to a technology-focused position and funded it primarily from the S&P 500 Index position without increasing overall equity exposure. Large-cap tech firms continue to have solid balance sheets, low leverage, and strong free cash flow generation. They have delivered robust revenue and earnings growth. Artificial intelligence (AI) related spending is not slowing down in dollar terms, at least not yet. We also eliminated the consumer staples position in the more conservative portfolios and chose to maintain the healthcare allocation as a defensive equity play. Finally, we opened a new position focused on U.S. infrastructure in the Growth portfolio, funding it from our small-, mid-cap and financials positions.

We expect inflation to remain above the Fed's target in the year ahead. Therefore, our portfolios continue to hold U.S. Treasury Inflation-Protected Securities (TIPS). Given the improved outlook for fixed income markets due to ongoing Fed rate cuts and higher yields provided by longer-term bonds, we added 2% to 3% to the intermediate-duration aggregate bond position. Nevertheless, the weighted average duration of the portfolios falls within the shorter-term range as term premiums could increase given fiscal concerns.

Despite the sharp drop of gold prices in October, the price of gold is up around 50% year to date. Supporting gold prices are global central bank purchases, fiscal concerns, and bearish sentiment toward the U.S. dollar. Historically, gold's value has surged during periods of monetary and debt crises and especially during wars that raised the risk of asset or currency freezes or seizures. Hence, there's a fundamental case for owning gold. However, gold is known for being a volatile asset class, so we continue to monitor it.

In summary: The U.S. economy remains resilient at the aggregate level, but disparities within the economy are present. Inflation remains sticky, but we don't expect it to soar. A December rate cut by the Fed is still a possibility if concerns about labor market fragility persist. Portfolios remain diversified across market caps and sectors.

Irina Dorogan, CIM®
Portfolio Manager

MACROECONOMIC Scenario Analysis

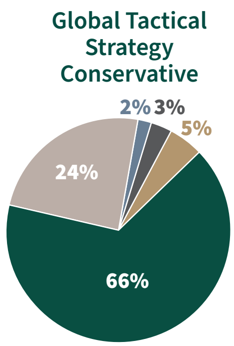
On a monthly basis, the Cougar Global investment team establishes the probabilities of the future path of the U.S. economy over the next 12 months and quantifies its independent global research into the following five scenarios:

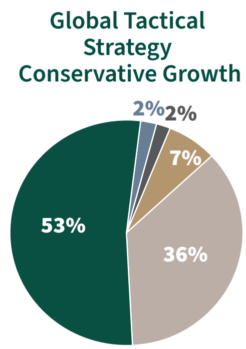
	GROWTH	INFLATION	STAGNATION	CHAOS	RECESSION
Current probability	0%	46%	28%	16%	10%
Last month	0%	45%	29%	15%	11%
Change	0%	↑ 1%	↓ 1%	↑ 1%	↓ 1%

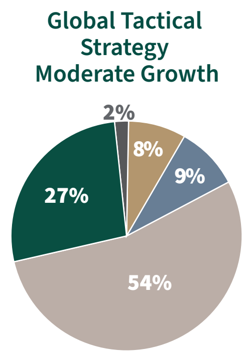
Current MES as of October 2025

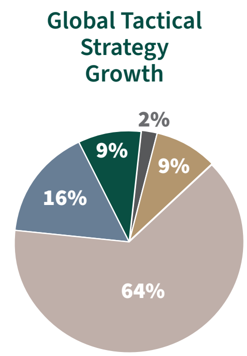
ASSET ALLOCATION Shifts

As of July 2025









Total US Equity | Total Fixed Income | Total International Equity | Cash | Gold

Asset Class	Symbol	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change
S&P 500	IVV	11	10	-1	13	11	-2	25	22	-3	26	22	-4
S&P 400	IJH	3	3	0	4	4	0	4	4	0	8	7	-1
S&P 600	IJR	0	0	0	5	5	0	7	6	-1	7	6	-1
Global Staples	KXI	2	0	-2	2	0	-2	0	0	0	0	0	0
MSCI EAFE	IEFA	2	2	0	2	2	0	6	6	0	12	12	0
U.S. Healthcare	XLV	4	5	1	5	6	1	6	6	0	8	8	0
Nasdaq 100	QQQ	0	2	2	0	3	3	0	4	4	0	4	4
S&P Aerospace & Defense	XAR	2	2	0	3	3	0	7	7	0	7	7	0
Financial Select Sector	XLF	2	2	0	4	4	0	5	5	0	8	7	-1
Emerging Markets ex -China	EMXC	0	0	0	0	0	0	3	3	0	4	4	0
U.S. Infrastructure Development	PAVE	0	0	0	0	0	0	0	0	0	0	3	3
TOTAL EQUITIES		26	26	0	38	38	0	63	63	0	80	80	0
0–3 Month Treasury Bond	SGOV	4	4	0	3	3	0	0	0	0	0	0	0
Short-Term TIPS	STIP	16	16	0	13	13	0	10	10	0	6	6	0
U.S. Aggregate Bonds	AGG	20	23	3	15	17	2	8	10	2	3	3	0
U.S. 1–3 Year Treasury Bonds	SHY	14	11	-3	10	8	-2	5	3	-2	0	0	0
Treasury Floating	TFLO	12	12	0	12	12	0	4	4	0	0	0	0
TOTAL FIXED INCOME		66	66	0	53	53	0	27	27	0	9	9	0
Gold	IAU	5	5	0	7	7	0	8	8	0	9	9	0
Cash	CASH	3	3	0	2	2	0	2	2	0	2	2	0

The portfolios reflect the inherent risks of fluctuating prices and uncertainty of rates of returns. The cash portion of this portfolio is represented by money market instruments.

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Cougar Global Investments calculates the Macro Economic Scenario (MES) analysis by assigning probabilities to each of the five economic scenarios (Growth, Stagnation, Inflation, Chaos and Recession) over the next 12 months. Macroeconomic scenarios are based on quantitative data sourced from various firms and then weighted and may be adjusted based upon Cougar Global Investments thought capital. MES are subject to change. These are hypothetical examples and are not representative of any specific situation. Actual economic results may vary. Economic forecasts set forth may not develop as Cougar MES indicates and there can be no guarantee that these strategies promoted will be successful. Past performance is no guarantee of future results. Macro Economic Scenarios: Growth – U.S. economy is growing at or above its potential growth rate, Recession – U.S. economy is shrinking (negative quarter over quarter growth rate), Stagnation – U.S. economy is growing at lower than its potential growth rate, Inflation – Consumer Price Index (CPI) inflation rate is higher than U.S. economy's potential growth rate, Chaos – a high impact, low probability event ("Black Swans").

Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Small-capitalization companies are subject to higher volatility than those of large-capitalized companies. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be appropriate for all investors. Stock investing involves risk, including the risk of loss. Investments in emerging market issuers are subject to a greater risk of loss than investments in issuers located or operating in more developed markets. This is due to, among other things, the potential for greater market volatility, lower trading volume, higher levels of inflation, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments in emerging market countries. High Yield/Junk Bonds are not investment grade securities, involve substantial risks and generally should be part of the diversified portfolio of sophisticated investors. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity and redemption features. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. Mortgage-Backed Securities are subject to credit, default risk, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extensions risk, the opposite of prepayment risk, and interest rate risk. Investing in IAU involves additional risks. The market price of the Shares will be as unpredictable as the price of gold has historically been and the price received upon the sale of Shares may be less than the value of the gold represented by them. Government bonds and Treasury bills are guaranteed by the U.S. Government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. The fund's concentrated holding will subject it to greater volatility than a fund that invests more broadly. The fast price swings of commodities will result in significant volatility in an investor's holdings. Precious metal investing is subject to substantial fluctuation and potential for loss. All indexes mentioned are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The indexes don't reflect charges, expenses, fees and is not indicative of any particular investment. Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, disease, and regulatory developments. The Bloomberg U.S. Aggregate Bond Index is composed of the total U.S. investment-grade bond market. The market-weighted index includes Treasuries, agencies, CMBS, ABS and investment grade corporates. The MSCI ACWI® (All Country World Index) measures the performance of large and mid-cap stocks across 23 developed markets (DM) and 24 emerging markets (EM) countries. The S&P 500 or Standard & Poor's 500 Index (IVV) is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The iShares Core S&P Mid-Cap ETF (IJH) seeks to track the investment results of an index composed of mid-capitalization U.S. equities. The iShares Core S&P Small-Cap ETF (IJR) seeks to track the investment results of an index composed of small-capitalization U.S. equities. The iShares Global Consumer Staples ETF (KXI) seeks to track the S&P Global 1200 Consumer Staples (Sector) Capped IndexTM. The iShares Core MSCI EAFE ETF (IEFA) seeks to track the investment results of an index composed of large-, mid- and small-capitalization developed market equities, excluding the U.S. and Canada. The Health Care Select Sector SPDR® Fund (XLV) seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the Health Care Select Sector Index (the "Index"). The S&P Aerospace & Defense Select Industry® Index (XAR) represents the aerospace & defense segment of the S&P Total Stock Market IndexTM. The Financials Sector Index (XLF) seeks to provide an effective representation of the financial sector of the S&P 500 Index. The Index includes companies from the following industries: financial services; insurance; banks; capital markets; mortgage real estate investment trusts ("REITs"); and consumer finance. The Nasdaq-100 (QQQ) is a globally recognized index that tracks the performance of 100 of the largest non-financial companies listed on the Nasdaq Stock Market® encompassing a diverse range of industries and sectors. The Global X U.S. Infrastructure Development ETF (PAVE) seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Indxx U.S. Infrastructure Development Index. The iShares MSCI Emerging Markets ex China ETF (EMXC) seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities, excluding China. The iShares 0-3 Month Treasury Bond ETF (SGOV) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities less than or equal to three months. The iShares 0-5 Year TIPS Bond ETF (STIP) seeks to track the investment results of an index composed of inflation-protected U.S. Treasury bonds with remaining maturities of less than five years. The iShares Core U.S. Aggregate Bond ETF (AGG) seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. The SPDR® Bloomberg 1-10 Year TIPS ETF (TIPX) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Bloomberg 1-10 Year U.S Government Inflation-Linked Bond Index. The iShares 1-3 Year Treasury Bond ETF (SHY) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one and three years. The iShares Treasury Floating Rate Bond ETF (TFLO) seeks to track the investment results of an index composed of U.S. Treasury floating rate bonds. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Cougar Global optimizes portfolios in US dollars for four risk categories. GTS – Conservative may be appropriate for clients who have accumulated sufficient wealth to begin making regular withdrawals for income requirements while potentially achieving investment returns sufficient to preserve capital over a full investment cycle. GTS – Conservative Growth may be appropriate for clients who may have occasional income needs and are willing to take moderate downside risk to achieve investment returns GTS – Moderate Growth may be appropriate for clients who have a long term investment horizon and can tolerate downside volatility in the course of a market cycle. GTS – Growth may be appropriate for clients who have a long term investment horizon and can tolerate higher downside volatility in the course of a market cycle. The conversion dates from sub-advisors to ETFs are April 30, 2008, for GTS – Conservative; February 29, 2008 for GTS – Moderate Growth; and October 31, 2007 for GTS – Conservative Growth. As of December 31, 2008, Cougar Global stopped using sub-advisors.

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About Cougar Global Investments

Cougar Global Investments is a global macroeconomic asset allocation manager that believes the goal of investing is to achieve compound annualized returns for clients. We use a disciplined portfolio construction methodology combining post-modern portfolio theory and risk management to pursue our clients' objectives.

About Raymond James Investment Management

Raymond James Investment Management is a global asset management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Together with our boutique investment managers – Chartwell Investment Partners, ClariVest Asset Management, Cougar Global Investments, Eagle Asset Management, Reams Asset Management and Scout Investments – we offer a range of investment strategies and asset classes, each with a focus on risk-adjusted returns and alpha generation. We believe providing a lineup of seasoned, committed portfolio managers – spanning a wide range of disciplines and investing vehicles – is the best way to help investors seek their long-term financial goals.

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