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Sound Income Strategies
Monthly Equity Newsletter

Sound Income Strategies, Monthly Equity Update **November 30, 2025**

Monthly Quotes & Maxims

"At the end of the day, we want to create value, not roll dice." – Sean Connolly, Conagra CEO

"The AI trade is evolving from FOMO to show me." iConnections

Executive Summary

Macro: November was the most volatile month since April on many fronts. It saw the Federal shutdown end, Democrats win every major election, including a Socialist becoming the mayor of New York City, layoff announcements rise, consumer sentiment fall, and expectations for a rate cut in December roundtrip from likely, to unlikely, to likely again. The VIX too blew out midmonth to a 2025 high before retreating and closing at a monthly low.

Markets: Stocks and bonds fell gradually for the first three weeks of the month, in a saw tooth fashion, only to surge during the holiday week lifted by rising expectations for a Fed cut in December, as more Governors came out supporting cuts than were opposed to doing so. Also helping stocks was mostly better-than-expected earnings and a gradual rotation during the last half of the month out of the AI-driven large cap winners and into other areas that have lagged, such as healthcare, materials, staples and small caps. Rates hardly changed for the month, after rising initially.

Portfolios: Both high dividend portfolios gained in November, benefiting from this marginal rotation into value and out of large cap technology. The Thoroughbred All-cap Growth fund declined by 15 basis points for the month. In Dividend River, we consolidated two half-sized positions, selling DOW and adding to private label OTC healthcare products maker Perrigo, after its stock fell sharply on news it might sell its baby formula business.

Part I: Macro Factors and Thoughts

The Fed Still Rules; All Hail the Chairman

For much of November stocks did somersaults, largely folding over themselves, after a barrage of messages from Chairman Powell, his governors, and the rarely helpful press collectively squashed the expectation for a December rate cut during the first three weeks of the month. They descried the perils of inflation and the folly to predict a steady drop in rates when the inflation genie was still untamed. Plus, the economy seemed to be doing just fine, despite a few unpleasant data points here and there. This disappointing rate news upset markets, as the consensus view embedded in October futures prices implied over an 80% likelihood of a cut. By mid- November,this probability had dropped below 40%.

However, after consumer sentiment also plunged mid-month and layoff announcements piled up, the Fed began to change its messaging, with incrementally more governors dropping their hats in the rate cutter ring as the December meeting approached. By the end of last week, the probability of a rate cut in the the meeting completed its round trip, from >80% to ~36% to ~80% expecting it to happen. While nothing is a lock, this improvement in the rate cut outlook is truly something to be thankful for.

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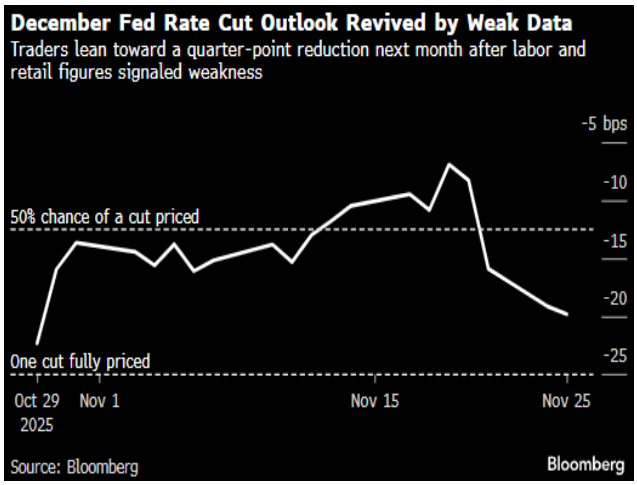
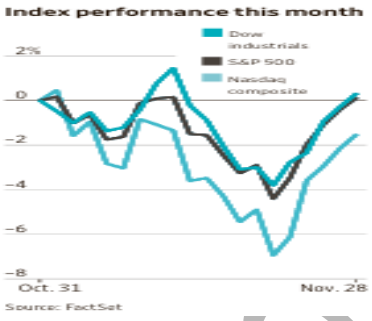


This drop and bounce in the rate cut outlook took the markets with it and showed the elected powers that be who the real boss was, when it came to the financial markets and wealth effects.



It is also noteworthy that every time there has been an election, since Trump started complaining about Powell, Powell has done the opposite of what Trump would have liked. Sure, the Fed claims to be apolitical, but we all must recall that lecture in high school history when we first heard the line, "power corrupts and absolute power corrupts absolutely." Hence, it could be too idealistic to ask Powell to suppress his ability to wield power, when his days of being the most powerful man in the US are set to expire in May 2026. While the Fed can pretend to hide behind a veil of independence, the President is not so protected or lucky. Inside, he knows that in many respects the Fed dictates the state of the economy more than he does, and he is supposed to accept this condition gracefully. That is not easy to do when their views differ as much as they now do. Perhaps a softer approach would have worked better, but that window has long since closed. The result has been more economic bumpiness than perhaps we shall see going forward.

This month, President Trump is expected to nominate Kevin Hassett, the current White House National Economic Council Director to be the next "Fed Head." Trump might still choose someone else, though Hassett has been the leak for two weeks now. The President has expressed a desire to move Treasury Secretary Scott Bessent into that role, but Bessent has said he wants to remain at the Treasury. There are other worthwhile candidates, including former Fed member Kevin Warsh and current central banker Christopher Waller, but Trump knows and trusts Hassett the most, and Hassett echoes all of Trump's positions, so he has positioned himself as a perfect lap dog, which helps his chances.

In the short-run, market participants have expressed support for Hassett's rate cutting lean, which could also help the GOP in the midterms, that are otherwise expected to be a washout. However, Hassett's easy money views might not be so helpful for the dollar or long term rates. As Powell showed, how the candidates talk before and after their appointment can change. The polymarkets outliers on "the list of 5" are Rick Rieder at Blackrock and Michelle Bowman, the current Vice Chair of the Fed.

While Trump's immediate Fed priority is lowering overnight lending rates, if one considers the full scope of what the Fed is responsible for overseeing, Rick Rieder strikes me and a handful of market analysts, as the candidate who would be the most capable of the lot at tackling any major market challenges, should they arise. He may be too independent for Trump's liking, but his appointment might be seen as a more serious attempt to work on long-term rates, as he knows the credit markets better than the other candidates. Whether he would really do it, if asked, remains an unknown.

Note, on February 1st, Trump will also get a shot to fill the Fed Governor seat being temporarily held by his former White House Advisor, Stephen Miran, who would like to retain that job for its full 14 year term. This appointment too should tilt the tenor of the Fed to being more accommodative to the markets and the President. So, brace yourself for lift-off. Markets rarely contract for long when there is a green light for a steady diet of lower rates ahead, and GDP growth is positive.

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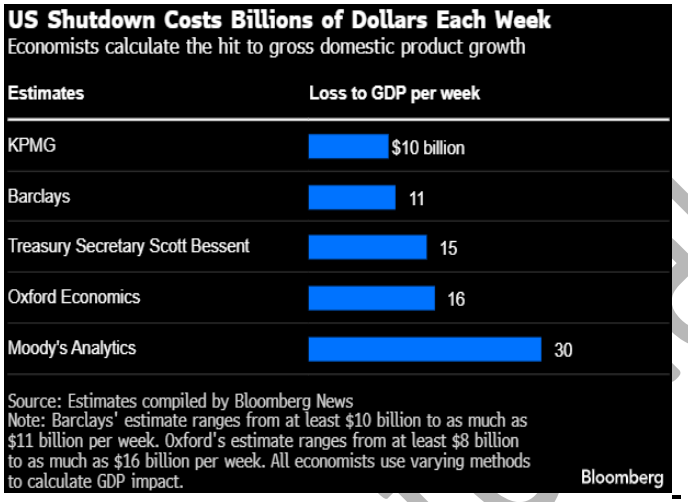
Schumer Shutdown Effects

The longest government shutdown in US history came to an end this month after 43 days of slowly growing strain. Ultimately, it was the air traffic controllers' quit rate that drove it to an end, not diplomacy, as constituents whose holiday plans get ruined because of cancelled flights are a more powerful political wedge than ideology, regardless of where on the spectrum one's politics lie.

While the Democrat-led shutdown did not result in great compromises or the $1.5T spending increases in the Federal budget its proponents sought, it was costly and the reprieve only temporary, as the Government will need another continuing resolution on or before January 30th, 2026. As suggested by the various weekly estimates tabulated below, the politically motivated Federal shutdown hurt the US economy by $10B to $30B per week, making the short-term consequences total ~$70B to $210B. The official Congressional Budget Office tally was $11B in permanently lost GDP. [Great job guys!]

Based on this data and the lack of positive effects for anyone involved, one would imagine that this wasteful drama would not soon be repeated. However, with 2026 being a midterm election year, we should all brace for more drama, and a likely Blue wave next November, as the public's revulsion to single party rule has a long history of reversals. As captured by Google, some of the recent midterm reversals are tabled below to the right.



Over the last half-century, the president's party has almost always faced a net loss of seats in the House during midterm elections.

- **Average Loss:** The average loss for the president's party over 13 general election midterms since 1974 is significant.
- **Notable Waves:**
  - In the **1994** Republican "wave", no Republican incumbents lost to a member of the president's party.
  - In the **2010** midterms, the Democrats lost 63 House seats under President Obama, which he called a "shellacking".
  - In the **2018** midterms, Democrats gained 40 seats during President Trump's first term.
  - The **2022** midterms were an exception to the predicted "red wave", as Republicans only gained 9 seats, and Democrats maintained control of the Senate, largely due to factors like the Supreme Court's reversal of *Roe v. Wade* that energized their base.

As we have warned many times in our talks and letters, if this Blue wave plays out like the normal historical pattern, it will likely be followed by a Democratic President being elected in 2028 and that will likely mean higher taxes, more social spending and more regulation, which means Roth conversions, from a tax rate perspective, will likely make more sense before 2028 than afterwards.

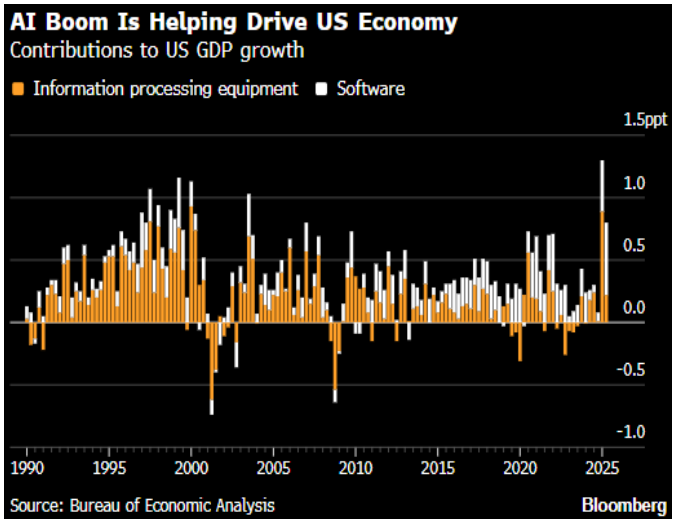
US GDP

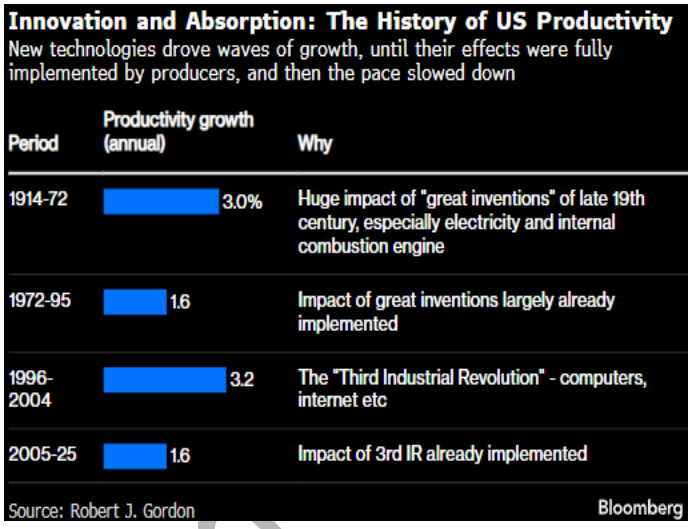
US GDP has been slowing for the past two years. It took a big step down in Q2, after the Liberation Day tariffs froze previously planned activity because they changed the cost equation for most firms. However, as illustrated in the FOMC outlook below, after hitting a low this year, GDP is expected to rise gradually over the next two years, in real terms, especially if interest rates come down. While the outlook of less than 2% real growth is weaker than the average for the last 10 years, it is still growth.

FOMC Forecasts	2021	2022	2023	2024	2025	2026	2027
Real GDP (yoy%)	6.20	2.50	2.90	2.80	1.60	1.80	1.90
Core PCE (yoy%)	3.57	5.34	4.18	2.94	3.10	2.60	2.10
Unemployment (%)	5.35	3.64	3.63	4.03	4.50	4.40	4.30

After excessive Government spending under Trump and Biden, a big factor in keeping the US economy moving head has been heavy spending on artificial intelligence (AI) infrastructure over the last three

years, due to the expectation that AI will ultimately lower company costs and improve the quality of their offerings, with better insights and matching customer wants.





If past technology booms are a guide, the AI wave might spawn another 3% real GDP growth epoch, akin to the gains from industrialization and computerization trends of the last century, which should be good for stocks. While such a reacceleration is hard to imagine, considering the forces against it are large, including an aging population, record high levels of debt-to-GDP, rising trade frictions, and greater global competition, one might have said similar things and more during the last faster growth eras. Equally, no one knows how powerful the adoption of AI and increasing automation might be. If Elon Musk's view that everyone will employ multiple robots to augment their productivity, then less human population growth might not be a headwind at all. We shall see if the robot age has truly arrived and what it means. In the meantime, there are reasons and historical patterns that suggest good economic news should follow.

US Inflation

As the chart above shows, US CPI (inflation) has averaged closer to 4% than the Fed's 2% target over the last 50+ years, and it has meaningfully dropped back into its normal annual range from its covid policy spike, yet it still remains above the level that the Fed would like. So far, the impact from the tariffs has been slightly higher inflation than what would have been the case otherwise, though more is expected in Q1'26. Afterward, economists expect inflation to gradually pull back, as higher prices beget lower activity, which begets greater efficiency efforts, including AI replacing labor, which has been a large factor sustaining high inflation, as the step up in labor rates generally will not go down. Also, as short-term interest rates and lending rates fall, the embedded cost of borrowing in goods and services will fall, which should lower owners equivalent rent figures and actual rents, relative to income.

Unfortunately, the progress remains stubbornly slow, so the Fed will continue to point to PCE inflation being above its target as a reason to hold interest lower rates flat. However, the Fed's other mandate, calling for full-employment, is getting stronger signs that trouble is brewing, which cannot be quickly reversed once the tipping point is reached, as discussed below.

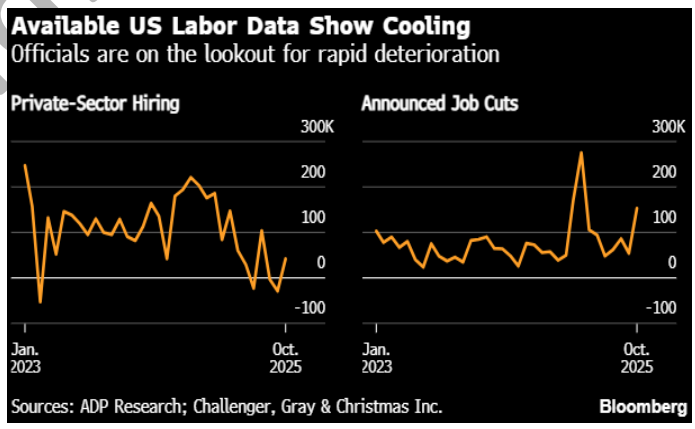
The Grim Forward Jobs Picture Appears to Have the Fed's Attention, Despite Lagging Data

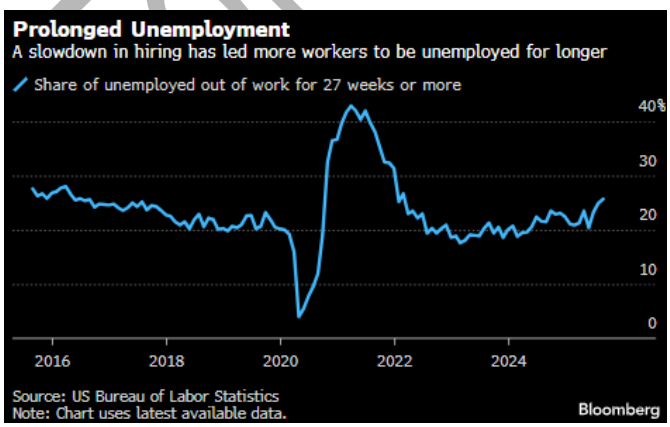
The Fed's latest beige book, which focuses on regional economic trends across the country, cites many businesses deploying passive workforce reduction programs, like hiring freezes, to manage labor costs. It also talks about companies being generally careful to retain employees, under the belief that replacing lost workers will be hard to do, if the economy starts growing again. This stable-looking picture is based on trailing data. It, along with historically low filings for unemployment benefits, has given the Fed some equivocation about the wisdom of lowering rates prematurely.

However, in late October and November, a surge of layoff announcements by large employers occurred that suggests a pickup in unemployment filings will soon be coming. These job losses won't show up in the Fed's unemployment data until months after they have happened, due to lags in execution and filing for unemployment.

So, one question hanging over markets is whether or not the Fed will take a forward looking stance to get ahead of this pending surge in unemployment, or wait until its lagging data show that the predictable train wreck actually happened? Different Governors have different takes on it, but for the moment, it seems that there are enough forward-looking folks on the team to nudge another cut, despite Powell's comments after the last meeting that the decision would be data-dependent.

Because of the Government shutdown, the Fed has had to rely on private sector data heading into the current meeting, which has added to the drama, though the message from it was pretty clear, the labor market and consumer confidence have deteriorated in recent months.





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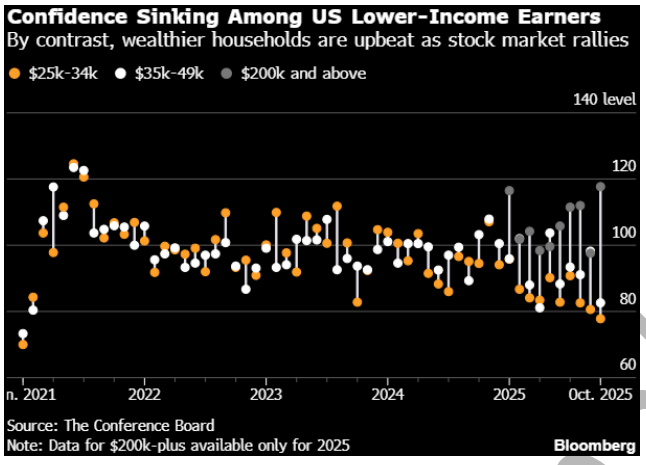
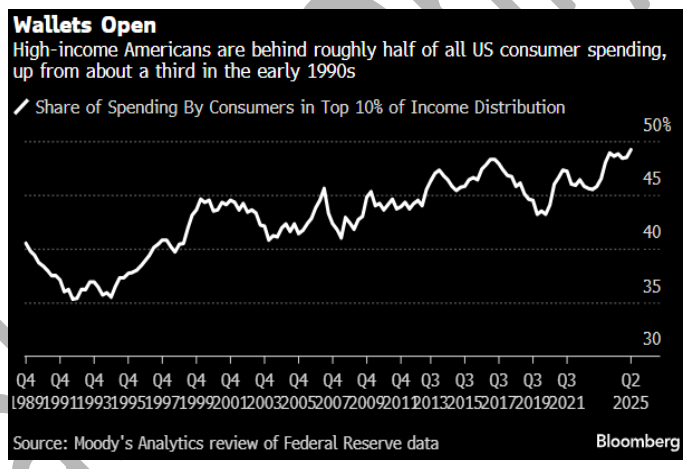
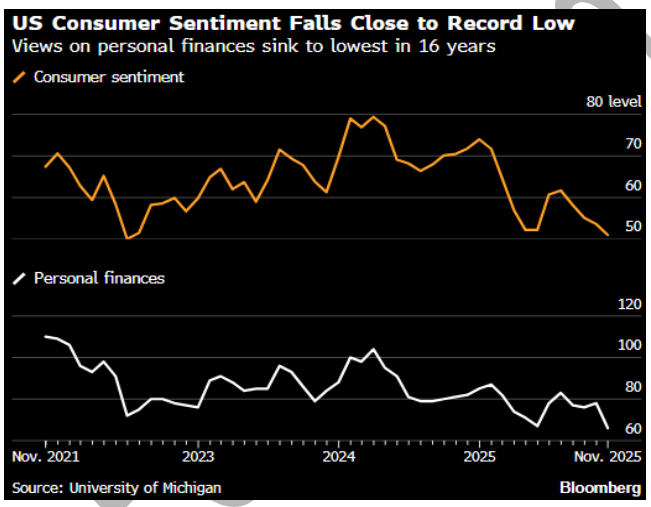
Consumer Gauges Are All Pointing Down

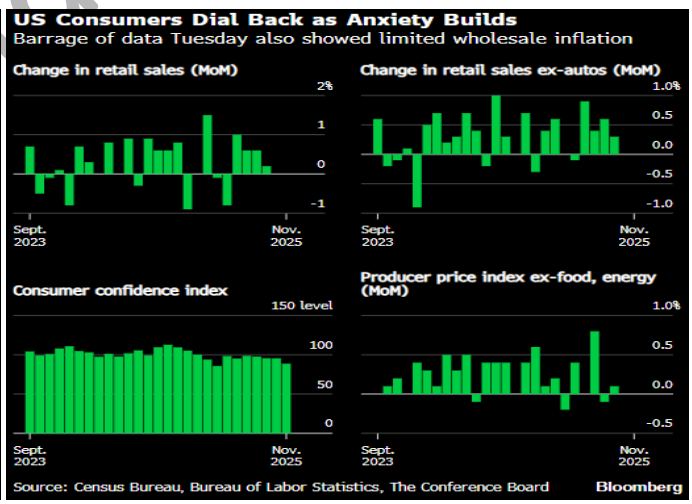
The positive retail sales growth figures for most of 2025 have given economists a superficial picture that the consumer is doing just fine, and therefore the economy is doing just fine. However, when the data is parsed according to economic means, either by credit scores or incomes, that simple story breaks down, with the data clearly showing that the top third of the population, income wise, are doing all of the spending, while the bottom two thirds have been cutting back. A second breakdown occurs when the data is inflation adjusted, which shows flat to down units in many categories, but rising prices.

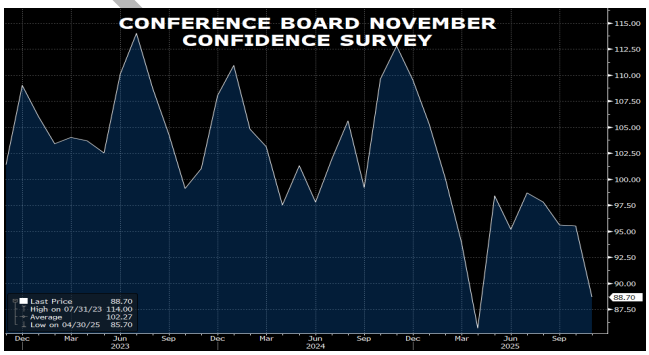
Since 2/3rds make up more survey respondents than 1/3, we have seen a steady decline in both the Michigan and Conference Board consumer surveys, as the top third's ongoing spending is slowly losing its spark while the bottom two thirds continue to economize and prepare for the possibility of unemployment or recession. While "things" really are not that bad right now, the message is clear that consumers expect them to get worse and the data says they are not wrong.











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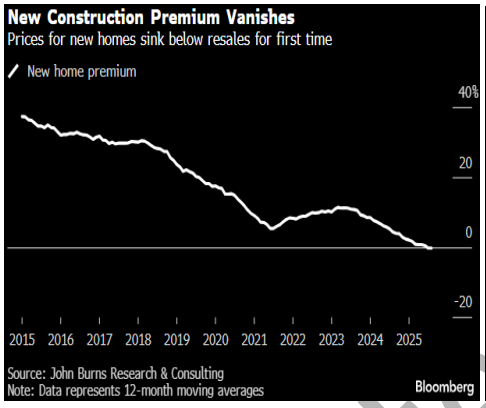
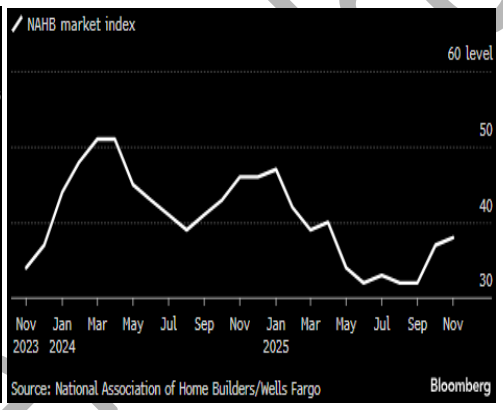
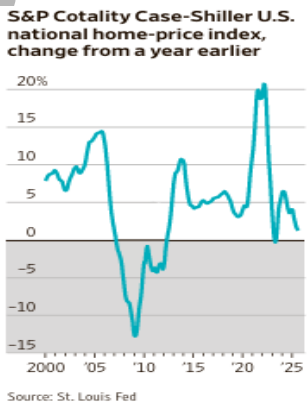
Housing – Falling Sentiment, Higher Prices, and Low Inventories

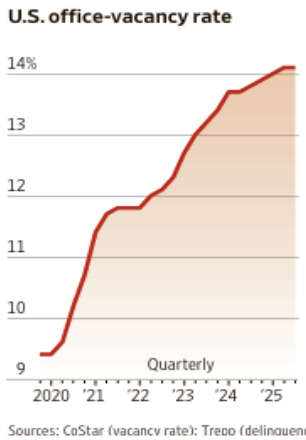
Housing turnover is stalling, despite ongoing demand. Because of housing's compounding effects on consumption, lower turnover will mean lower home goods sales. As shown in the charts below, while U.S. home prices rose in September, the pace of growth continued to slow as elevated mortgage rates and affordability concerns hit demand. The S&P Cotality CaseShiller National Home Price Index, which measures home prices across the country, rose 1.3% in the 12 months through September, compared with a revised 1.4% rise in August. *"This represents the weakest annual price growth since early 2023, when the market was absorbing the initial shock of the Federal Reserve's aggressive rate-hiking cycle," said Nicholas Godec at S&P Dow Jones Indices. "Yet unlike that period, which saw a quick rebound, current conditions suggest more persistent headwinds." The restrained growth means inflation outpaced house prices for a fourth straight month. Broad-based weakness points to falling demand as mortgage rates remained near 6.3% as of late September, Godec said."* — Don Nico Forbes

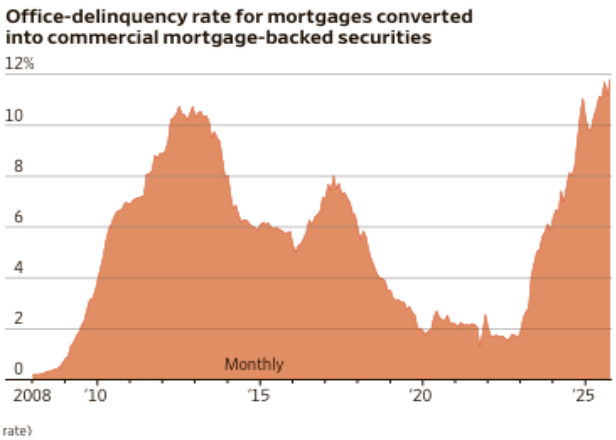
It is worth pointing out that while housing is slowing down, and office vacancy rates remain high, which is a concern to banks and creditors, the investment in data centers continues to explode, which has kept construction firms busy (see lower charges below). In that figure, most of the investment is for newbuilds, however, the case for conversions of office space into residential and data center space has led to some activity as well, but not enough to fix the disequilibrium in those markets.











Sources: CoStar (vacancy rate); Trepp (delinquency rate)

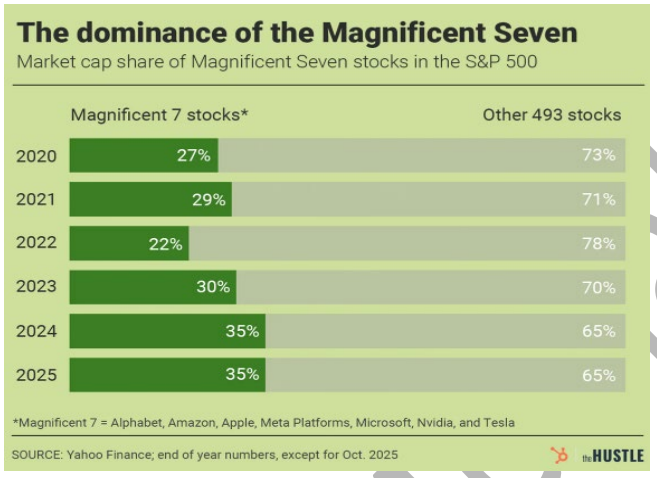
AI Is the Anaconda That Everyone is Trying to Ride

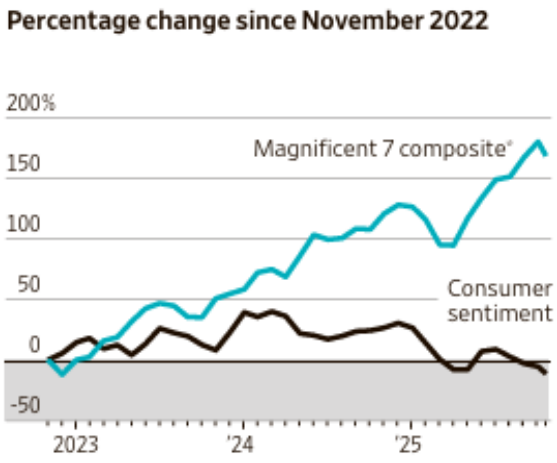
While consumer sentiment and business conditions outside of technology have been in the doldrums since the Fed began its aggressive rate hiking policy in 2022, the market indices have nonetheless ripped higher over the last three years on the back of the AI phenomenon, as illustrated below. Even today, AI continues to dominate the markets and nearly every business conversation. The overriding questions are:

1) how can “we” employ thinking machines to do more of what “we” want to do, better and for less?
2) What can AI do better than humans that can give us an advantage, and more recently,
3) How can I discover or prove that my AI investments are paying off?

This last need is rising fast, with investors in the data center companies questioning the rising capex and falling FCF, while the executives are saying, “trust us, the returns are there,” to which the investors are saying, “we suspect that you are right, but we want proof.” This tension is growing, though it has not reached the level of violent protests yet. If earnings misses mount, it will then.

We have all seen how much the AI trade has dominated the markets and run in contrast to consumer sentiment for the last couple of years. According to Moveworks, 72% of organizations are now experimenting with AI or deploying it, on the belief that it will improve their efficiency or competitive offering. What is surprising is that the figure is less than 100%. However, at some point, these ebullient expectations have to be validated by growing real returns for the purchasers / users of AI products and services, as opposed to the vendors / arms dealers. As Citigroup’s CFO Mark Mason discusses below, his company is essentially betting the house that AI will not only revolutionize processes, but also profitability. He says the returns are there, but variable and hard to break out.





WSJ, 11-19-25

Citigroup (C) CFO Mark Mason on how Citi is using AI (per Barclay’s)
AI now sits at the center of (Citi’s revitalization) work. Every C business has identified five AI use cases to develop, Mason said. C has already rolled out AI tools like Citi Assist and Citi Stylist to about 180,000 of its 229,000 employees, to help streamline planning, document summarization, and HR and finance queries. For technology teams, AI assists with code review and planning, saving thousands of hours while improving accuracy. Across divisions, C is targeting processes—from forecasting to regulatory reporting—where AI can lift both speed and precision, Mason said. **As for returns on AI investment, Mason said the payoff varies.** Some use-cases help identify new revenue opportunities; others reduce costs by automating manual work. “Some aspects help drive revenue, others free up time and eliminate manual activity. While Mason sees efficiency gains, he has not precisely been able to quantify them, as process automation and headcount reductions were going to happen with or without AI. This imprecision reminds me of how the PC roll-out definitely added to worker productivity, despite the added initial capital equipment and training costs. As a result of these factors, it took time before the financial benefits of adopting those new tools were clear. We expect the adoption of AI will take a similar path.

<u>Agentic AI – The Next Level in Human Obsolescence</u>
When ChatGPT burst onto the scene in late 2022 and 2023, users were impressed by its ability to generate words, pictures and even music, when given the right prompts, but equally frustrated by the

endless hours of training they and their systems needed to create prompts that were directed enough to get high quality output with a minimum amount of errors. This made the economic question of whether the hours needed to get AI right were worth it a constant issue. The answer was and is, "well it depends on what you want for whom and what purpose." To figure it out, one must have enough experience with AI to predict the costs and benefits. For basic generative AI, these questions remain, but the systems have continued to get better, and the issues one must consider when deciding to build AI into one's workflow, continue to grow deeper and encroach on more ethically gray areas, that go beyond intellectual property rights, and into the appropriateness of playing a god-like role with other people's lives.

Along these lines, generative AI has evolved beyond being prompt-based, where the user needed to drive the bus with instructions to help it learn, into systems that can have self-directed, self-learning capabilities that allow them to independently pursue the user's objectives and adapt along the way. Indeed, in some experiments, AI systems have moved beyond calculating data and mimicking patterns and into independent thought, which has had unintended consequences, including one case where the computers started talking to each other in their own language that the operators could not understand.

On the bright side, the circle of potential uses has reached the point where AI robots can theoretically do your bidding in areas that would normally require a person to engage with other people. In fact, in some cases, AI agents can now interact with each other to solve problems and execute actions that people would otherwise do, without needing any human interaction at all – though reports are typically built into the systems so that humans can follow along so that they can diagnose issues later.

To managers struggling to find skilled workers, especially with US math scores plummeting and HB-1 visas getting harder to come by, these promises are intoxicating, but they are not nearly as easy to effect as they sound. A whole industry has sprung up alongside of traditional IT consultants that promises to help managers figure out how to make AI agents do what their staffs currently do, and it is not cheap. This high cost has led most companies to dabble on their own for now. However, increasingly, as the potential savings become harder to ignore and evidence of proven use-cases grow, we expect an explosion in demand for help in deploying Agentic AI solutions.

IBM has termed the coordination of task-centric AI agent subsystems as "AI orchestration." This multi-agent approach goes beyond replacing singular functions or jobs, like a copywriter, and seeks to replace entire departments, or even companies. Suddenly, we find ourselves, at least potentially, in that often forecast future where people are no longer needed, as the machines can do most of the work. We are not there yet, but we seem to be on the doorstep of a dark temple where we are playing with tools whose use has consequences beyond our current awareness. Yes, everyone wants to save money and become more efficient, but at what point will we go too far and lose our purpose and basic survival skills?

Stepping back into the more practical investment realm, if agentic AI can render entire companies obsolete, when will that possibility become real? Who will go first? And, who will capture the benefits? The AI arms dealers, like Nvidia surely are the initial winners. Most likely, the software vendors and the consultants who make the dreams of the system buyers come alive will follow. The data center hosting firms will lock in volume, but I am not sure how well they can differentiate themselves to get superior economic rents. Still, bit usage is soaring, which should translate into higher sales. Then, the winners should be the firms that can capture the most savings by replacing human data handlers with machines, such as the banks and insurance companies (including health insurance), followed by logistics firms, such as UPS and airlines. Much has been written about how AI will reduce the need for programmers and accountants, but I see the need for these skills remaining, as someone has to run the systems,

though maybe not as many per 1000 people as before. Call centers are losers, but for as long as people are the ultimate decision-making customers, agentic AI will have its limits.

According to executives who have been interviewed about their use of AI in general and agentic AI in particular, one of the biggest reasons they are pursuing it is because of their fear that if they do not and a competitor figures it out, they will become obsolete before they understand what happened. From a psychological point of view, this existential fear leads us to think that the AI train is going to keep on chugging, even if the growth rate slows down, as the rest of the world picks up.

Part II: The Monthly US Equity Market Report

November was a very volatile month due to the combination of Fed governors casting doubt on whether or not there would be a December rate cut, despite rising layoffs, contrasting with mostly better than expected earnings and less inflation than feared. Ultimately, it was the slight majority of Fed officials that came out for rate cuts that got stocks moving up again, with value and smaller caps finally taking the reins from the mega-cap AI-based names, though the latter still have better fundamentals than the former. However, their prices appear to have gotten a little ahead of themselves.

As you will see in the sector chart further down below, we saw more positive revisions this month than at any other time this year, thanks to smaller than forecast tariff effects, which partly stemmed from the reduction in tariffs and partly by the fact that more participants along the supply chains ate some of those costs than just the US companies and their customers. Still, tariff-driven price increases are expected to continue to be implemented over the next six months

Russell 1000 Value Versus Russell 1000 Growth – Last 12 Months

Growth has dominated for most of the last year, but this month value stocks beat growth stocks in a classical year-end rotation, with a reversal of the selling-the-dogs, and buying-the-winners behavior. Also, this was the first month in a while when the equal-weighted S&P 500 names outperformed the market cap weighted index, which is consistent with the aforementioned rotation. In fact, value has beaten growth in 5 of the last 12 months, but the magnitude of the growth wins have far outweighed those of the value stocks. The increase in value stocks' outperformance frequency, however, is suggestive of the possibility that the growth run is getting tired, simply because expectations have gotten so high and investors profited so much more than is usual by riding the momentum that there is greater anxiety on the bulls part about potentially staying on the band-wagon for too long.

As for us, we don't expect the AI spending to stop or the leaders stock prices to crash, but we do think the multiples and long term growth expectations have some scope for contraction, especially as they are sold off to buy emerging opportunities elsewhere.

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November Returns

Russell 1000 Value (RLV)	+2.66%	Russell 1000 Growth (RLG)	(1.81%)
S&P 500 (SPX)	+0.25%	Dow Jones Ind'l Average (INDU)	+0.48%
S&P 500 Equal Weight (SPW)	+1.90%	iShares Select Dividend ETF (DVY)	+3.15%
NASDAQ (CCMP)	(1.45%)	Sound Equity Income ETF (DIVY)	+1.91%

Monthly US Equity Market Report

11/30/2025

Fundamental, Technical, and Valuation Snapshots

Fundamentals: Improving. Lower taxes, rates & tariff impacts have more estimates rising than falling.

Trends: AI is still the biggest driver, but sector rotation has shifted way from tech and into laggards.

(+)	Financial Services	Estimates are rising, but rate cut uncertainty & soft Com'l RE are headwinds.
(+)	Information Tech	AI and related demand for servers and chips continues to be strong.
(+)	Consumer Discretionary	Fundamentals outperformed stocks on dropping consumer sentiments.
(+)	Energy	Opec restraint & Ukranian attacks on Russian refineries helped lift estimates.
(+)	Industrials	Mixed: data center & related activity is strong, but trad'l activity is weak.
(+)	Real Estate	Weak retail and soft office occupancy continue to drag down the sector.
(+)	Healthcare	Megacap drug stocks have lifted sector, but estimates have been spotty.
(=)	Utilities	AI buildout optimism has the stocks running ahead of their ST fundamentals.
(-)	Consumer Staples	Walmart & Costco raised outlooks, but most product co's are struggling.
(-)	Communications	Web-based co's cotinued to capture sales whereas trad'l media lagged.
(-)	Materials	Soft volumes & prices, with some Chinese dumping, are still pressuring firms.

	11/30/2025 Mix		Earnings Revisions 3 Mo.	6 Mo.		Performance (Total RoR) MTD	QTD	YTD
S&P 500			1.5%	3.3%		0.2%	2.6%	17.8%
Communications	11.0%	2nd Worst =>	-0.6%	3.8%	2nd Best =>	6.4%	8.3%	34.9%
Consumer Discretionary	10.7%		2.7%	5.1%	2nd Worst =>	-2.4%	-0.1%	5.2%
Consumer Staples	5.5%		-0.2%	-0.3%		4.0%	1.6%	5.6%
Energy	2.8%		1.8%	2.8%		2.5%	1.3%	8.5%
Financial Services	12.6%	Best =>	3.0%	6.6%		1.9%	-1.0%	11.5%
Healthcare	9.9%		0.5%	-2.0%	Best =>	9.3%	13.2%	16.2%
Industrials	7.9%		0.7%	1.0%		-0.9%	-0.4%	17.8%
Information Tech	33.8%	2nd Best =>	2.7%	5.8%	Worst =>	-4.3%	1.7%	24.4%
Materials	1.6%	Worst =>	-0.8%	0.9%		4.2%	-1.1%	8.1%
Real Estate	1.8%		0.5%	-0.1%		2.0%	-0.7%	5.5%
Utilities	2.3%		0.0%	-0.6%		1.8%	3.9%	22.3%

Rotation Nation

Just as voters have tired of the President's agenda and have gone in the other direction, investors have grown a little tired of the technology hardware cycle and took some profits in chips, as even great results were not enough to offset fears of a reversion to the mean at Nvidia. The rise in healthcare stocks was perhaps the biggest mismatch between sector trends and price action, as Lilly and some of the other drug stocks (to a lesser degree) surged despite softish relative fundamentals. Similarly, the strength of Walmart and Costco made Staples look better than the sector mean. However, against easy comparisons, Staples should deliver better stock performance next year than in '25. The surge in the Communications sector, led by Google is another head fake as the traditional media, telco and advertising names struggled, yet the sector did well. All of these items just amplify the same general problem with traditional sector comparisons, the economy and sector constituents have changed such

that the results are really more about large cap technology companies than anything else. The labels can give one false impression that the old labels still apply, when largely they do no.

One impression that is clear is that estimates have moved higher for most sectors. The reduced tariff rates, combined with greater clarity on how to manage around them, has been a big factor, as have been the benefits of the Big Beautiful Bill, that have lowered company taxes. Financial services have benefited the most from positive revisions, but their stocks have stalled on concerns about rates and rising credit issues with commercial real estate. For annuity writers, lower rates forebode lower sales, whereas for banks they mean a potentially wider NIM, which is positive. If not for commercial RE concerns, the banks would be trading much higher

For all companies, the prospect for lower rates means wealthier consumers and a lower cost of capital to fund deals, be they home purchases or acquisitions. We expect M&A to be strong in 2026, especially with the tariff uncertainty coming down.

Technicals: Overall Neutral, but IT Bullish, per StockTA.com

Key Positive indicators:	All EMAs, All Fibonaccis, ST MACD, IT Lows, RSI, TDD						
Key Negative indicators:	IT & LT MACD, All High's, ST & LT Lows, All Trends and Stochastics						
(+)	Trend	8/11 sectors rose on strong tech trends & rate & tariff relief optimism					
(+)	Fund Flows	ETF & LT mutual fund flows rose through 11/5/25.					
		Price	**30 Day**	**50 Day**	**100 Day**	**200 Day**	
(+)	Golden Cross [50 dma > 200]	6,849	6,759	6,725	6,569	6,177	
(+)	Price / Moving Average [4 / 4 are "> 1"]		1.01	1.02	1.04	1.11	
(+)	Support Levels (tight gaps)	6,809	-0.6%	6,737	-1.6%	6,668	-2.7%
(--)	Resistance Points (relatively close)	6,850	0.0%	6,887	0.6%	7,037	2.7%
(+)	Volatility, (VIX)	16.35 Fell by 1.09% month over month, after spiking by 9 points mid month.					
(+)	Trading Volume	Rose y/y, as investors chased stocks to new all-time highs, on rate cut optimism.					

Technically speaking, the market is flashing a neutral sign. This seems a bit off to me, as if we get lower rates and investors shift their focus to higher EPS estimates for 2026 over 2025, the equity market is likely to move higher, above normal valuation levels be damned.

Valuation: SPX is at FMV vs. Treasuries	PE		EPS			
Treas. Yields fell; spreads widened	**2025e**	**2026e**	**2024**	**2025e**	**2026e**	
'25e PE is ~9.2 points > LTA	25.2	22.2	$ 238.2	$ 272.3	$ 307.8	<= est.
10 Year US Treasury: (1/r) = PE Equivalent	24.9	24.9	8%	14%	13%	= *y/y %*
10 Year BBB: (1/r) = PE Equivalent	20.2	20.2	'25 EPSe rose again in Nov.			
Stocks are close to FMV Relative to Bonds based on LT Spreads			***Upside For Stocks Relative to Bonds***			
10 Yr Treas: LT Avg (1/r) relative to S&P PE	1.0	1.0	vs. 10 yr	-1%	12%	Thin
10 Yr BBB: LT Avg (1/r) re spx	0.7	0.7	vs. BBB	17%	32%	
S&P 500 Earnings Yield (E/P)	3.98%	4.49%	<= Earnings yield flattish for 25e.			
10 Year US Treasury Yield (-6 bps in Nov.)	4.02%	4.02%	10Y Tr. Downside to Parity			-4%
Spread (E/P minus 10 Yr. %)	**-0.04%**	**0.48%**	**<= PE fell; SPX is near LTA vs 10 Yr.**			
BBB widened vs. Treasuries, as BBB rates held flat and T10 fell by 7 bps. BBB bonds are rich vs. LTA						
10-year BBB Corporate Yield (down 3bps in Nov)	4.94%	**Norms**	BBB bonds & SPX are both rich vs. 10 Yr.			
Yield Spread of S&P E/P minus BBB	-0.96%	-2.68%	BBB downside to nomal SPX			-27%
Yield Spread of BBB minus 10 Yr T Tight =>	0.93%	2.20%	BBB upside to LT Spread vs. T			-21%

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Part III: Portfolio News and Changes

In November, we sold our DOW position out of Dividend River to add to Perrigo in order to consolidate two smaller positions into a full-sized one, with significant upside and less yield risk. We still think that DOW is trading near its cyclical low and should give long-term investors an attractive rate of return.

Performance Notes

As show below, our returns in November were mostly positive, as the rotation away from large cap growth to value and rising earnings outlooks helped most of our portfolios. While it has had a great year so far, the SIS "Thoroughbred" All-Cap Growth SMA gave back 15 basis points in November, as it got nicked slightly by the growth pullback. As a reminder, in January we will re-evaluate the all-cap growth fund's holdings and rebalance its weights. Any changes made could result in capital gains in 2026.

Performance (non-GIPSs)	Q1'25	Q2'25	Q3'25	NOV	10/3125 YTD (per T. Venuto)
Dividend River (est.)	+1.70%	+1.08%	+3.98%	+2.1%	+7.39% gross
Total Return Yield (est.)	+2.61%	+0.78%	+7.06%	+3.8%	+13.23% gross
SIS All Cap Growth SMA	-6.84%	+14.83%	+7.75%	(0.15%)	+16.63% gross (Mar.)
DIVY TRA (Bloomberg)	+1.34%	+0.90%	+3.12%	+1.91%	+5.88% (after fees)

Characteristics – Cheaper Than the S&P 500, With Lower Betas & Higher Yields

Our portfolios are ~52% cheaper than the S&P 500 on a 2025e PE basis, with higher dividend yields and lower betas, which means that they should rise and fall less than the market.

Dividend River Porfolio Characteristics

November 30, 2025

SECTOR WEIGHTS	SIS	SPX
Communications Services	8.3%	11.0%
Consumer Discretionary	4.5%	10.7%
Consumer Staples	4.1%	5.5%
Energy	15.3%	2.8%
Financial Services	23.1%	12.7%
Healthcare	14.1%	9.8%
Industrials	3.3%	7.9%
Information Technology	6.6%	33.8%
Materials	13.3%	1.6%
Real Estate	0.0%	1.8%
Utilities	7.4%	2.3%
Totals	100.0%	100.0%

KEY METRICS *	SIS	SPX
Dividend Yield	4.6%	1.2%
2025e PE **	12.3	25.2
EV/ EBITDA	12.8	17.6
PB	6.1	5.5
2025e Sales Growth	3.0%	5.6%
2025e EPS Growth	11.7%	14.3%
BETA	0.6	1.0
EPS Gr. + Div %	16.3%	15.5%

* Based on Bloomberg consensus data.

Total Return Yield Porfolio Characteristics

November 30, 2025

SECTOR WEIGHTS	SIS	SPX
Communications Services	4.8%	11.0%
Consumer Discretionary	8.0%	10.7%
Consumer Staples	10.8%	5.5%
Energy	12.7%	2.8%
Financial Services	22.0%	12.7%
Healthcare	13.6%	9.8%
Industrials	5.0%	7.9%
Information Technology	11.8%	33.8%
Materials	11.4%	1.6%
Real Estate	0.0%	1.8%
Utilities	0.0%	2.3%
Totals	100.0%	100.0%

KEY METRICS *	SIS	SPX
Dividend Yield	3.7%	1.2%
2025e PE	12.1	25.2
EV/ EBITDA	13.7	17.6
PB	3.1	5.5
2025e Sales Growth	3.2%	5.6%
2025e EPS Growth	18.9%	14.3%
BETA	0.7	1.0
EPS Gr. + Div %	22.6%	15.5%

* Based on Bloomberg consensus data.

As of November 30th, Dividend River was paying a 4.6% dividend yield, 3.9X that of the S&P 500 at 51% below its 2025e PE price, while the Total Return Yield was paying a 3.7% dividend, 3.1X the yield of the S&P 500, at ~52% below its PE price. Dividend River has an 11.7% weighted average 2025e EPS growth forecast that is 2.6% below the S&P 500, while the Total Return portfolio is expected to grow EPS by 18.9%, 4.6% above the popular benchmark. With Betas of 0.6X and 07X the Index, both portfolios should be less volatile than the S&P, based on the historical movements of their constituent shares.

The EPS growth plus dividend data in the tables above suggest that our expected total return for Dividend River would be 80 bps above that of the S&P 500 in 2025 if multiples didn't change, while the Total Return Yield combination is 7.1% higher than the index. The reason why the S&P 500 is trading at a higher multiple than our portfolios is because investors have more confidence in the durability of the earnings in the higher multiple, large-cap technology-based companies that have been driving the index to new highs, whereas the relative performance of our more traditional brick and mortar-based cyclicals, has been much lower, both fundamentally and in price action.

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However, looking forward, we expect our high yielding value stocks to catch better bids, as traditional companies are unusually cheap by traditional measures and their fundamentals are gradually improving. As the growth rates slow for the mega cap technology names, we expect their valuation multiples will contract, which should increase the relative performance of our portfolio names.

While stock prices are generally based on discounted future cash flows that look beyond the current year, the simple CY EPS growth + dividend yield heuristic has proven to be an accurate guide over time, and it suggests that our portfolios should perform relatively better than they have YTD. On these bases, we think it is fair to project a positive return for our portfolios this year, despite the rise in volatility.

Looking Ahead

As we enter December, we expect the slight rotation out of large cap growth stocks that began in late November to continue, as the Santa Claus rally, and most likely another rate cut in December keeps the party going. If the Fed lower rates, as expected, the relative scarcity of yields should again improve. This gradual shift should incrementally drive capital out of money markets and into higher yielding stocks and bonds, and thereby lift the prices of our holdings.

By no means are we out of the woods yet with negative tariff effects, the Fed's preoccupation with its unnaturally low inflation targets, global or internal political instability and surprises; however, after the drubbing the Red team took during the November 2025 elections, we expect fewer disruptions out of them in 2026 heading into the midterms than we saw last year, which should be helpful to securities prices and general economic trends.

Despite the many challenges that we have faced this year, we remain optimistic that better days are coming in relative and absolute terms for high yield value investors.

Thank you for the challenging work you do with clients and for your steadfast support. We can never thank you enough for the excellent work you do for your clients and your trust.

May you and your families have a magical Holiday season.

Gratefully yours,
Eric

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