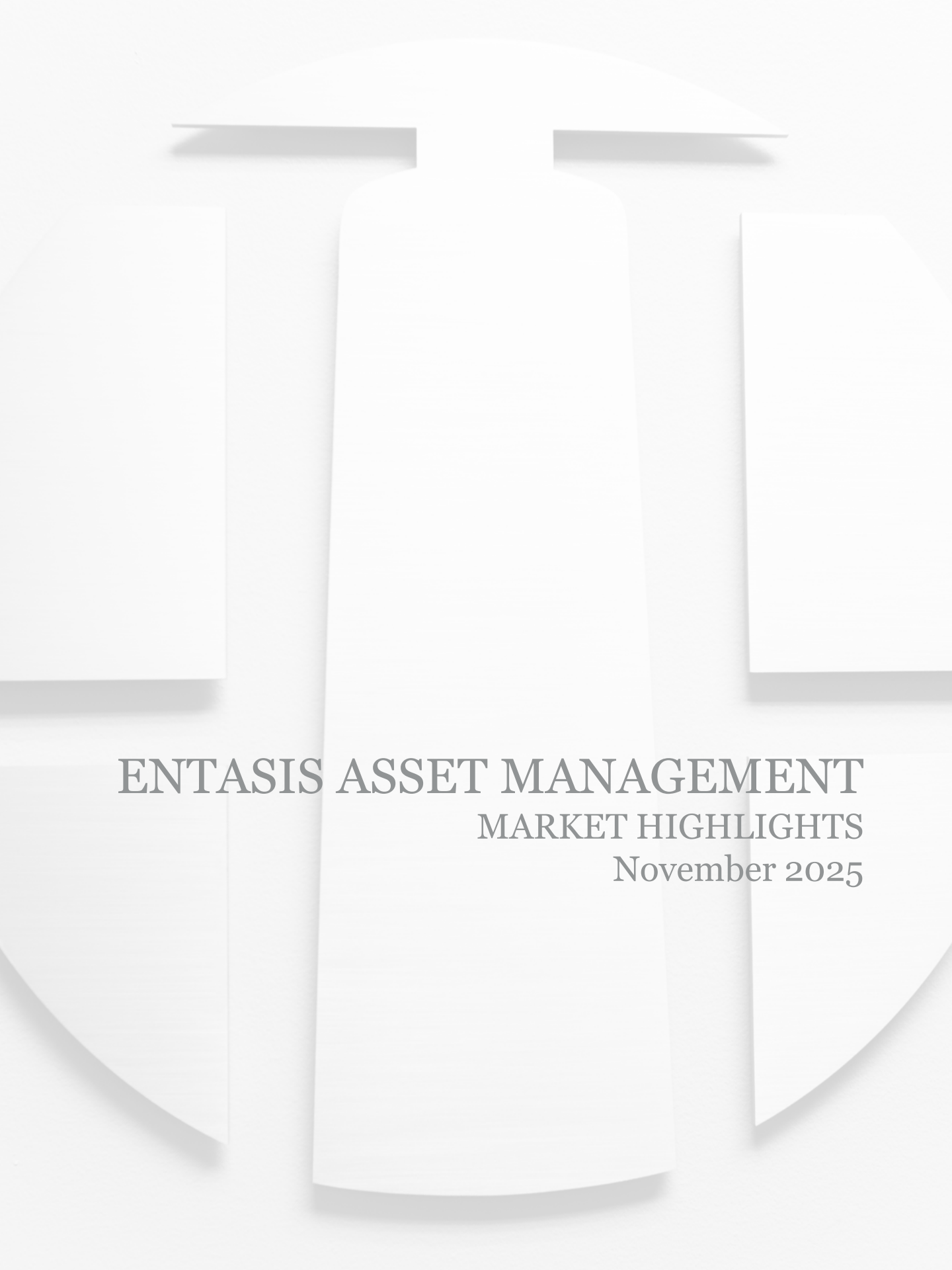


A large, light gray, stylized letter 'E' serves as a background for the entire page. It has a modern, geometric design with rounded corners and a slight shadow effect.

ENTASIS ASSET MANAGEMENT

MARKET HIGHLIGHTS

November 2025



What is a “quality” investment?

Markets like we are experiencing now have us ask that question of ourselves all the time.

We recently came across a blog from an investment manager we follow that stated, in part, “the U.S. equity market has sent a perplexing signal to long-term investors: quality doesn’t seem to matter.” The manager was defining high quality around metrics like balance sheet health (low debt levels), high return on equity (ROE), and consistent earnings. Conversely, low quality was essentially the opposite across all metrics. While our definition of quality may vary, we are generally comfortable with that broad definition.

Using those metrics, over the past year ended 9/30/2025, unprofitable NASDAQ-listed companies were up over 27%, while profitable companies were up less than 14%. A similar story unfolded in the small-cap Russell 2000 Index – profitable companies were up over 22% and unprofitable companies were up about 11%.

Clearly, quality hasn’t mattered. But.....should it? Ultimately, the short answer is yes. Excitement, hope and promise don’t pay the bills. That is why over time low-quality rallies eventually snuff out. Not since the early 80’s have low-quality stocks “won” relative to high-quality stocks over a 10-year period.

We will continue to position client portfolios to participate in the current rally while maintaining a long-term quality bias.

We greatly value the trust our clients have placed in us and welcome any questions you may have. Thank you for reading our Highlights.

Summary

- Market speculation continued unabated from prior periods (only recently showing some hesitation in November) as investors largely rewarded companies that had an interesting story over companies with attractive underlying fundamentals.
- Uncertainty in the healthcare sector has left it as one of the few areas of the market priced at a discount relative to its historical valuations.
- Small-/mid-cap companies are currently priced at the largest “discount” to large-caps in over two decades.
- Markets have now priced out the likelihood of further near-term rate cuts. However, the December 2026 Fed Funds implied rate continues to signal approximately three further cuts next year.

Bob

Colin

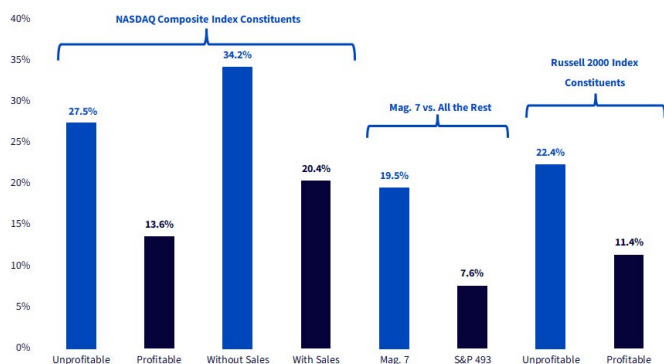
Phil

David

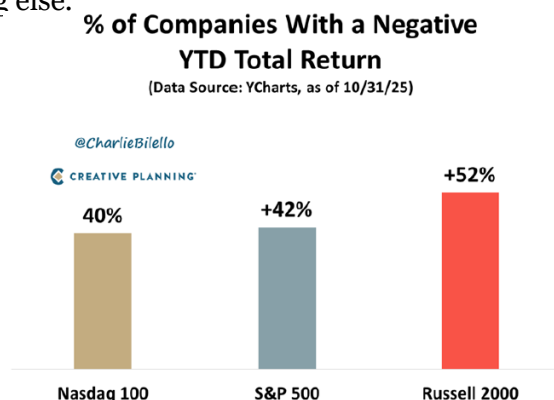


Highlight 1 – Speculation Echoes

- Market speculation continued unabated from prior periods (only recently showing some hesitation in November) as investors largely rewarded companies that had an interesting story over companies with attractive underlying fundamentals. This was particularly apparent in the return profile of companies listed on the Nasdaq. Over the past year (ended 9/30/25), unprofitable companies outperformed profitable companies by a wide margin, and companies that did not even have sales significantly outperformed companies with sales! A similar trend could be found among small-cap companies (Russell 2000® Index), as unprofitable companies ended the period with returns nearly twice as high as companies whose businesses were profitable (chart lower left).
- Despite a seemingly good year for the market, gains have been far from widespread. On a year-to-date basis through the end of October, 40% of companies in the Nasdaq 100, 42% of companies in the S&P 500®, and 52% of companies in the Russell 2000® Index remained in negative territory (chart lower right). The large number of companies with negative returns highlighted the somewhat bifurcated nature of the U.S. market in 2025 between highly speculative stocks and everything else.



Source: WisdomTree – Fundamentals Are Taking a Backseat (10/23/25)



Source: Charlie Biello – The Week in Charts (11/7/25)

Highlight 2 – The Healthcare Opportunity

- Regulatory scrutiny and poor earnings visibility caused the healthcare sector to largely be ignored compared to other areas of the equity market. This uncertainty left the sector as one of the few areas of the market that is priced at a discount relative to its long-term median averages (chart to right / green = cheap and red = expensive). While valuation alone is rarely a catalyst for investment, we believe there are many companies in the health care sector that are mispriced given their return potential over the short- to intermediate-term.

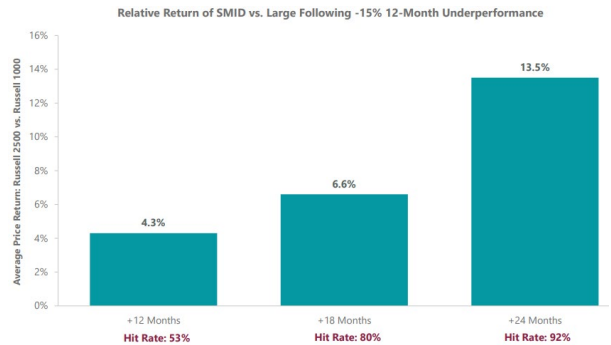
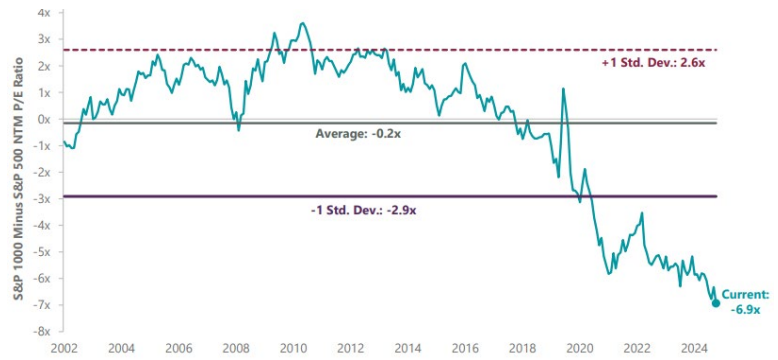
Sector	CAPE	Forward P/E	Trailing P/E
Health care	-8%	0%	-12%
Cons stap	-10%	0%	0%
Utilities	26%	7%	2%
Energy	40%	16%	16%
Materials	10%	24%	24%
Financials	32%	15%	16%
Industrials	39%	36%	29%
Cons disc	17%	40%	41%
IT	81%	61%	76%
Comm Svcs	102%	39%	18%

Source: Schroders – Equity Lens – October 2025



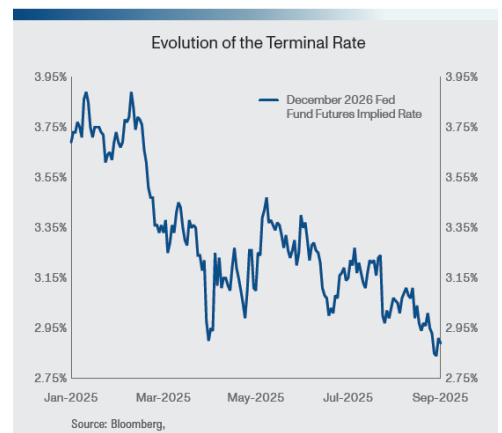
Highlight 3 – The Small-Cap Discount

- With the market’s attention focused on the Mag-7 and artificial intelligence (AI) themes (semiconductor companies, nuclear energy and rare-earth metals) other areas of the market have been ignored.
- From a valuation perspective, small-/mid-cap stocks are relatively attractive compared to large-cap stocks. Historically, these market segments have traded at similar P/E multiples. However, small-/mid-cap companies are currently priced at the largest “discount” to large-caps in over two decades (chart upper right).
- Historically, small-/mid-cap stocks have performed quite well following periods when they underperformed large-cap stocks. This performance disparity has not always reversed course immediately, but over the intermediate-term, results have tended to be relatively attractive (chart to right).



Highlight 4 – A Divided Fed

- With labor-market conditions continuing to soften, the U.S. Federal Reserve (Fed) resumed its easing cycle with 25 bps (0.25%) cuts in September and October, bringing the Fed Funds rate to 3.75%–4.00%. While widely anticipated, the more notable development this quarter has been the growing divide within the Fed about how to balance inflation risks and softer employment data.
- Some policymakers emphasize upside inflation risks, while others—especially those considered candidates for the coming Fed Chair opening—highlight labor-market deterioration as justification for more rate cuts.
- Political pressure from the executive branch to accelerate rate cuts has also increased. Chair Powell has pushed back with assurances that policy will remain data-dependent, though the appointment of Trump-appointee Miran has added to speculation about the Fed’s future direction. Powell has been non-committal on a December 2025 cut, and markets have now priced out the likelihood of further near-term easing. However, the December 2026 fed funds implied rate continues to signal approximately three further cuts next year (see chart to right).



Source: TCW Metwest

Market Performance



Annualized % Returns (As of 9/30/2025)

Index Name	Index Category	1 year	3 year	5 year	10 year
S&P 500 Index	Large Cap Stocks	17.60	24.94	16.47	15.30
Russell 1000 Index	Mid/Large Cap Stocks	17.75	24.64	15.99	15.04
Russell 1000 Growth Index	Growth Stocks	25.53	31.61	17.58	18.83
Russell 1000 Value Index	Value Stocks	9.44	16.96	13.88	10.72
Russell 2000 Index	Small Cap Stocks	10.76	15.21	11.56	9.77
MSCI EAFE Index	Non-U.S. Developed Market Stocks	14.99	21.70	11.15	8.17
MSCI Emerging Markets Index	Emerging Markets Stocks	17.32	18.21	7.02	7.99
MSCI ACWI Ex USA Small Cap Index	Non-U.S. Small Cap Stocks	15.93	19.36	9.97	8.37
Barclays Municipal Bond Index	U.S. Municipal Bonds	1.39	4.74	0.86	2.34
Barclays Aggregate Bond Index	U.S. Bonds	2.88	4.93	-0.45	1.84
Barclays Intermediate U.S. Gov/Credit Index	Government/Corporate Bonds	4.01	5.18	0.81	2.10
BofAML U.S. Treasury Master Index	Treasury Bonds	1.89	3.49	-1.49	1.15
BofAML U.S. Mortgage Backed Securities Index	Mortgage Backed Bonds	3.26	5.01	-0.18	1.42
BofAML U.S. Corporate Master Index	Corporate Bonds	3.92	7.24	0.55	3.22
BofAML U.S. High Yield Master II Index	High Yield Bonds	7.23	10.98	5.53	6.06

Annualized % Returns (As of 10/31/2025)

Index Name	Index Category	1 year	3 year	5 year	10 year
S&P 500 Index	Large Cap Stocks	21.45	22.68	17.64	14.64
Russell 1000 Index	Mid/Large Cap Stocks	21.14	22.34	17.05	14.39
Russell 1000 Growth Index	Growth Stocks	30.52	30.69	19.24	18.28
Russell 1000 Value Index	Value Stocks	11.15	13.39	14.28	9.97
Russell 2000 Index	Small Cap Stocks	14.41	11.94	11.50	9.36
MSCI EAFE Index	Non-U.S. Developed Market Stocks	23.03	20.06	12.33	7.48
MSCI Emerging Markets Index	Emerging Markets Stocks	27.91	21.10	7.46	7.69
MSCI ACWI Ex USA Small Cap Index	Non-U.S. Small Cap Stocks	22.58	18.18	10.61	7.77
Barclays Municipal Bond Index	U.S. Municipal Bonds	4.17	5.46	1.16	2.42
Barclays Aggregate Bond Index	U.S. Bonds	6.16	5.60	-0.24	1.90
Barclays Intermediate U.S. Gov/Credit Index	Government/Corporate Bonds	6.15	5.48	0.94	2.15
BofAML U.S. Treasury Master Index	Treasury Bonds	5.15	4.24	-1.17	1.25
BofAML U.S. Mortgage Backed Securities Index	Mortgage Backed Bonds	7.22	5.82	-0.01	1.49
BofAML U.S. Corporate Master Index	Corporate Bonds	6.79	7.81	0.67	3.21
BofAML U.S. High Yield Master II Index	High Yield Bonds	8.03	10.01	5.48	5.80

Calendar Year % Returns (YTD as of 10/31/2025)

	YTD	2024	2023	2022	2021	2020
S&P 500 Index	17.52	25.02	26.29	-18.11	28.71	18.40
Russell 1000 Index	17.07	24.51	26.53	-19.13	26.45	20.96
Russell 1000 Growth Index	21.50	33.36	42.68	-29.14	27.60	38.49
Russell 1000 Value Index	12.15	14.37	11.46	-7.54	25.16	2.80
Russell 2000 Index	12.39	11.54	16.93	-20.44	14.82	19.96
MSCI EAFE Index	26.61	3.82	18.24	-14.45	11.26	7.82
MSCI Emerging Markets Index	32.86	7.50	9.83	-20.09	-2.54	18.31
MSCI ACWI Ex USA Small Cap Index	25.81	3.36	15.66	-19.97	12.93	14.24
Barclays Municipal Bond Index	3.91	1.05	6.40	-8.53	1.52	5.21
Barclays Aggregate Bond Index	6.80	1.25	5.53	-13.01	-1.54	7.51
Barclays Intermediate U.S. Gov/Credit Index	6.16	3.00	5.24	-8.23	-1.44	6.43
BofAML U.S. Treasury Master Index	6.08	0.51	3.87	-12.85	-2.38	8.22
BofAML U.S. Mortgage Backed Securities Index	7.55	1.33	4.98	-11.88	-1.21	4.09
BofAML U.S. Corporate Master Index	7.44	2.76	8.40	-15.44	-0.95	9.81
BofAML U.S. High Yield Master II Index	7.27	8.20	13.47	-11.21	5.35	6.07

Source: Morningstar Direct. Returns less than one year are not annualized. Past performance is no guarantee future results. Current performance may be lower or higher than that shown. All indices are unmanaged. Investors cannot invest directly in an index. Index returns do not include expenses. See page 8 for index definitions and other important disclosures.



Our Team



Bob Batchelor, CFA®, CFP®
CEO
Co-Founder

Bob J. Batchelor, CFA®, CFP® is Founder and Chief Executive Officer of Entasis Asset Management. Bob has 28 years of experience in the investment industry. Prior to founding Entasis, Bob worked at Artisan Partners where he held a variety of roles including Head of Corporate Communications, Managing Director, Head of Marketing and Technology and Head of Marketing and Communications. He also served as a member of Artisan Partners Executive Committee. Before Artisan Partners, Bob worked at Strong Capital Management as Client Account Manager and Director of Investment Research and Communication.

Bob holds an M.B.A. from Marquette University and a B.B.A. from the University of Wisconsin-Madison. He has earned the right to use the CFA designation. Bob is a member of the CFA Institute and CFA Society of Milwaukee. Bob has also earned the Certified Financial Planner™ certification and SE-AWMA™ professional designation.



C.J. Batchelor, CFA®
CIO
Co-Founder

Charles J. (C.J.) Batchelor, CFA® is Founder and Chief Investment Officer of Entasis Asset Management. C.J. has 22 years of experience in the investment industry. Prior to founding Entasis, C.J. worked at Cleary Gull, a multi-billion dollar investment advisory firm, as Director of Investment Research. He also served as a member of Cleary Gull's Investment Policy Committee, Investment Committee and Equity Strategy Group.

C.J. holds a B.B.A. in Finance from the University of Wisconsin-Milwaukee. He has earned the right to use the CFA designation. C.J. is a member of the CFA Institute and CFA Society of Milwaukee.



Mike Peters, CFA®
Senior Wealth Advisor
Co-Founder

Mike Peters, CFA® is Founder and Senior Wealth Advisor at Entasis Asset Management. Mike has 22 years of experience in the investment industry. Prior to founding Entasis, Mike worked at Cleary Gull, a multi-billion dollar investment advisory firm, as Fixed Income Portfolio Manager. In his role he served as voting member of Cleary Gull's Fixed Income Strategy Group and Complement (Alternative) Strategy Group. Before Cleary Gull, Mike worked for several years at Madison Investment Advisors, a multi-billion dollar asset management firm, as a Fixed Income Analyst.

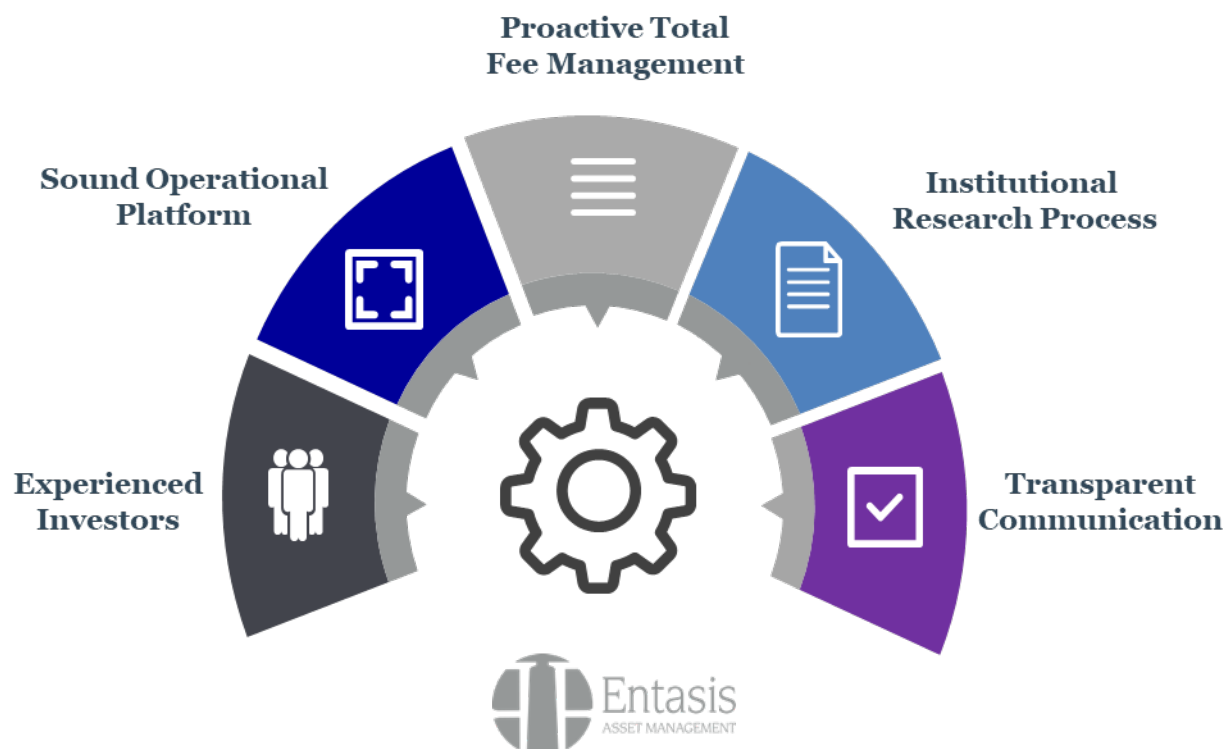
Mike holds a B.B.A. in Finance from the University of Wisconsin-Milwaukee. He has earned the right to use the CFA designation. Mike is a member of the CFA Institute and CFA Society of Milwaukee.



David LaCroix
Senior Wealth Advisor

David D. LaCroix is a Senior Wealth Advisor at Entasis Asset Management. David has more than 50 years of experience in the investment industry. Prior to joining Entasis, David worked at Cleary Gull Advisors, a Johnson Financial Group Company, and Cleary Gull Inc., a prior affiliate of Cleary Gull Advisors, where he most recently served as Vice President, Relationship Manager responsible for high net worth clients. Before Cleary Gull, David worked in a variety of portfolio management and client relationship management positions with A.G. Edwards and M&I Capital Markets Group.

David received his M.B.A. and B.B.A. in Finance from the University of Wisconsin-Madison. He has served as a member of the Archdiocese of Milwaukee Investment Committee, as a Trustee for the Village of Shorewood and as Director/Treasurer of Milwaukee Summerfest.





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Investment Terms

Valuation levels are typically shown by calculating the price level of an index or a company relative to any number of characteristics of an index or company. For instance, the price-to-earnings valuation metric looks at the price of an index (or stock) divided by the total earnings of an index (or stock). Based on the multiple (in this instance, the multiple is how much investors are willing to pay – the price – for a given amount of earnings), it provides investors with a general sense of how expensive, or cheap, the overall market is at the present time. While there are a significant number of valuation metrics that are used in practice, and many ways to vary/modify the calculation of the price-to-earnings ratio, in this summary we are focused on the price investors are willing to pay (the level of the S&P 500® Index) divided by earnings expectations for the equity market (S&P 500 Index) over the next 12 months. This valuation metric is referred to as the forward P/E. A **yield curve** is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. A **basis point** is a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% (0.0001). **Interest coverage** is a measure of a company's ability to meet its interest payments on its debt. **Federal funds rate** is the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. It is one of the most influential interest rates in the U.S. economy, since it affects monetary and financial conditions, which in turn have a bearing on key aspects of the broad economy including employment, growth and inflation.

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