The Conservative Strategist

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If past is prologue, a solid Q4 is ahead.

Call it *seasonal persistence.* Data spanning nearly a century (1926-2024) shows that when the S&P 500 is positive through September, the likelihood of further gains into year-end is significantly higher than average. Historically, **86.6% of such years** have seen a positive Q4, suggesting a strong statistical pattern rather than mere coincidence.

Why the persistence?

Several factors contribute to this fourth-quarter follow-through.

One is investor sentiment. Markets that perform well in the first three quarters often boost confidence among institutional and retail investors alike, leading to continued buying pressure as the year concludes.

Positive performance also tends to coincide with favorable corporate earnings reports and economic indicators, reinforcing the perception that companies are on solid footing and supporting further gains. Moreover, the fourth quarter includes the holiday season, a period during which consumer spending typically rises, benefiting corporate revenues and, by extension, market performance.

There is portfolio management behavior. Institutional investors often engage in "window dressing," adjusting portfolios to highlight strong-performing assets at year-end. And when most assets perform strongly, managers are reluctant to sell, concerned that they will not appear to be in the strongest performers when their year-end review arrives.

Momentum is powerful. Especially in Q4.

1926 to 2024

60	52	8	+3.2%
YEARS WITH JAN-SEP POSITIVE	Q4 POSITIVE IN THOSE YEARS	Q4 NEGATIVE IN THOSE YEARS	AVERAGE Q4 TOTAL-RETURN

In 60 calendar years when the S&P was up through September, it continued higher in 86.6% of those years. And the 3.2% Q4 gain in those years is slightly ahead of the average quarterly gain since 1926.

This particular year, three Fed rate cuts seem to be baked in the cake for Q4. That's a powerful tailwind.

Not foolproof

The S&P 500's historical fourth-quarter resilience following a positive first nine months highlights the interplay of investor confidence, economic fundamentals, and behavioral finance dynamics. Will it happen again this year? It's not infallible. Economic shocks, geopolitical events, or sudden shifts in investor sentiment can disrupt expected trends. And certainly valuation headwinds are on the horizon.

2018 was the last year the trend failed, and did so rather spectacularly, with the S&P falling 13.5% in Q4 and finishing the year down 4.4%. But that year, the Fed was raising rates steadily, and the growth stocks that had led the market higher through summer were warning about an earnings slowdown. We don't see that this year, though a few more bad numbers on inflation and/or growth could sour investors.

Danger? Possibly. However, when you see a phenomenon that has occurred seven out of every eight times for nearly a century, it's perhaps unwise to stand in its way. ■

The Markets	September 30, 2025	Price/Yield	Gain, Qtr	Gain, YTD
US Stocks (S&P 500/Vanguard Index)		6688.46	8.08%	14.71%
International Stocks (Vanguard Index)		23.61	6.94%	26.39%
Emerging Markets Stocks (Vanguard Index)		34.19	10.02%	22.94%
Real Estate Stocks (Vanguard REIT Index)		30.41	3.69%	5.65%
Bonds (30 year US Treasury/Vanguard Index)		4.73%	2.13%	5.36%
Dollar (US Dollar Index)		97.81	1.04%	-9.84%
Gold (London Afternoon Fix)		$3826.85	16.41%	46.67%
Money Market Funds (Vanguard Federal - VMRXX)		4.08%	-0.16%	-0.34%*

*change in yield

Portfolio Planning

Tokenization is coming. It will change investing forever.

Investing has grown a lot more democratized these past few years, and our client portfolios are benefiting. The whole world of private investments has opened up, giving us an opportunity to diversify client portfolios into *private credit, private infrastructure, private real estate, and private real assets* — all areas that can add value to a portfolio and have previously been accessible only to giant institutions and ultra-high-net-worth individuals.

What you can't do now

But the playing field is not yet level. Want to own a piece of a farmland portfolio in Kansas? Or a timberland tract in the Nor thwest? How about a slice of the royalty rights on the music portfolio of a favorite performer? Or a corner of a world-class Old Masters collection? Pension funds and billionaires can own these historically lucrative diversifiers without breaking a sweat. But whether because of investment minimums (GMO wants $20 million and up for access to its timberland portfolio), complex legal structures, long lock-up periods, high transaction costs, or other impediments, you and I cannot take part.

That's all about to change. *Asset tokenization* is coming.

Tokenized in the next decade?

I asked Google Gemini for the asset classes most appropriate to be tokenized. It spit out more than 100 asset types in ten seconds. These are 24 of the most intriguing for democratization and for enhancing portfolio diversification.

REAL ESTATE & LAND

- Residential Real Estate – Single-family homes, apartment complexes
- Agricultural Land – Farmland, vineyards, orchards, ranch land
- Timberland – Forest properties for lumber and carbon credits

ART & COLLECTIBLES

- Fine Art – Paintings, sculptures, photography by renowned artists
- Vintage Wine – Investment-grade wine collections
- Classic Cars – Vintage automobiles and motorcycles

INFRASTRUCTURE & UTILITIES

- Renewable Energy Projects – Solar farms, wind turbines, hydroelectric
- Transportation Infrastructure – Toll roads, bridges, airports, ports
- Data Centers – Cloud computing and server facilities

BUSINESS & INVESTMENT FUNDS

- Private Equity Funds – Stakes in private companies
- Venture Capital Funds – Early–stage startup investments
- Hedge Funds – Alternative investment strategies

COMMODITIES & NATURAL RESOURCES

- Carbon Credits – Environmental impact certificates
- Water Rights – Access to water resources
- Mining Rights – Extraction rights for various minerals

INTELLECTUAL PROPERTY & MEDIA

- Music Royalties – Revenue from song streams and performances
- Film & TV Royalties – Revenue from movie and show licensing
- Patent Portfolios – Intellectual property licensing rights

SPORTS & ENTERTAINMENT

- Professional Sports Teams – Ownership stakes in franchises
- Festival Rights – Music and cultural festival ownership
- eSports Teams – Professional gaming organizations

ALTERNATIVE INVESTMENTS

- Structured Settlements – Insurance settlement payments
- Aircraft Leasing – Commercial and private aircraft
- Ship Finance – Maritime vessel investments

What is tokenization?

Tokenization leverages blockchain technology to divide ownership of traditionally indivisible assets into fractions, represented by digital tokens. Each token corresponds to a specific share or right within the underlying asset, making it possible for investors to own and trade fractions of farmland portfolios, timberland holdings, real estate properties, art masterpieces, music rights, and other previously out-of-reach assets and asset subclasses. These tokens are programmable, transparent, and easily transferable, enabling a degree of flexibility and accessibility that will level the playing field for the small investor.

The token revolution

By lowering minimum investment amounts, tokenization will allow you (and your adviser) to purchase fractions of high-value assets that were previously unattainable. A small investor can now own a fraction of a Manhattan skyscraper, a piece of a Basquiat painting, or a stake in a promising tech startup. The process is as simple as acquiring digital tokens on a secure platform, backed by what is called a *SmartContract,* often with low transaction fees and minimal administrative overhead.

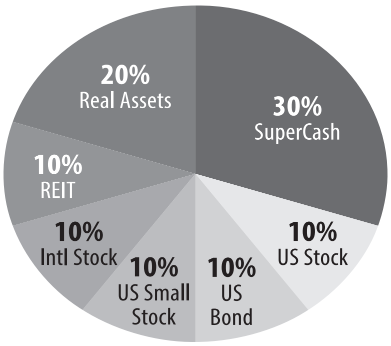
Not there yet

The playing field is leveling. Asset tokenization is the key next step. But challenges remain. Regulatory frameworks must adapt to accommodate digital assets, and robust platforms need to ensure security, compliance, and ease of use. And there's a huge investor education effort to be conducted. But rest assured, it's all coming. For small investors and their advisers, the investing world five years from now will be nearly unrecognizable, but will be far more empowering than today's. ■

SuperDiversified Portfolios (SDPs)

What, me worry? SDP1 rise is steady

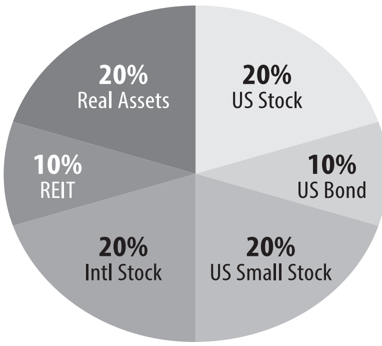
SDP1 *Conservative*



3rd Quarter	*Year-to-Date*
4.50%	***10.13%***

A solid advance for the SDPs this quarter, with all asset classes moving higher for only the second time in four years. And in Real Assets, we out-performed with a stake in gold and gold stocks, up 13.05% and 17.36% respectively in Q3.

SDP2 *Moderate*



3rd Quarter	*Year-to-Date*
4.35%	***9.15%***

With inflation now quieting down to 2.5% annualized, SDP1 is running at an annualized real return (return above inflation) well above 8%, exceeding our Investment Policy targets, and doing so with much less risk than mainstream assets alone.

The above model portfolios are not intended to indicate the performance of any real account, but reflect the composite performance, before fees, of the percentage allocations in the asset classes and funds listed in the table below. Seasonal Strategy's actual allocations vary from these models, and among portfolios.

How the Sectors Performed

Rate cut anticipation spurs across-the-board rally

Asset Class	Mutual Fund	Performance 3rd Quarter '25	Performance Year-to-Date	
SuperCash	PIMCO Instl Low Duration	0.84%	3.85%	Best
	Merger	1.73%	6.53%	Worst
	Calamos Market Neutral	1.97%	8.95%	
US Stock	Vanguard Index Trust 500	8.08%	14.71%	
US Bond	Vanguard Long-Treasury	2.13%	5.36%	
US Small Stock	Vanguard Small-Cap Index	7.53%	6.79%	
Intl Stock	Vanguard Intl Index	6.94%	26.39%	
REIT	Vanguard REIT Index	3.69%	5.65%	
Real Assets	PIMCO Commodity Real Return	6.03%	13.39%	

When interest rates are hiked, our target asset classes and subclasses tend to be nicely non-correlated with one another, cushioning the blow in challenging times. But when rates are cut (or anticipated so, as now), most or all tend to move in one direction. And that direction is up.

This quarter, all seven asset classes rose, with satisfying performances from subclasses as diverse as US small-cap value, emerging markets stocks, catastrophe bonds, gold equities, clean energy stocks, and long/short funds like BIVIX and COAGX. Strength from all corners.

Tontines are next

A tontine is an investment pool where participants contribute to a common fund and receive dividends. Unlike a standard annuity, *as members die, their portion of the payout is redistributed among the survivors, increasing the income for those who live longer.* This creates a powerful incentive to outlive others, as the last survivor can collect a very large sum.

Tontines are a "better mousetrap" than traditional annuities for several reasons. Annuities are sold by insurance companies, which must charge high fees and maintain large reserves to guarantee payments for life. In a tontine, the participants themselves bear the longevity risk, making it a peer-to-peer system that's cheaper and more efficient. Tontines also tend to offer higher payouts on average, especially for those who live the longest, because there's no insurance company taking a profit.

Tontines are making a comeback in the U.S. due to the decline of traditional pensions and the fear of outliving retirement savings. Modern tontines, with features like age-tiered groups and more transparent, regulated structures, are being developed to address past issues of fraud and abuse. They offer a simple, low-cost way to generate lifetime income, appealing to a generation of investors who must manage their own retirement funds.

Expect to see more tontine-like products, possibly branded as "longevity risk-sharing pools," become available in the coming years. Recent regulatory shifts in the U.S. are paving the way for these new investment vehicles, which are likely to gain traction as a supplement to Social Security and 401(k) plans. They'll likely be offered by fintech startups and asset managers rather than traditional insurers. And they will leverage blockchain technology to enhance accessibility, transparency, and convenience, and to keep costs down.

Kicking the tires of the first tontine products

TontineTrust®
Live Long & Prosper

*From Sweden and Ireland come the first tontine products available in the US. You can go to **www.tontine.com** and check out their offering for both taxable accounts and IRAs. We like what we see, and expect more such products in the coming quarters.*

SEASONAL STRATEGY

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The game-changer: WisdomTree purchases Ceres Partners

The recent acquisition of $1.85 billion farmland asset manager *Ceres Partners* by the asset management firm *WisdomTree* is a significant move that could fundamentally change how everyday people invest. While the deal might seem like a simple expansion into a new asset class – farmland – it is more accurately a strategic play that positions tokenization as a game-changer for the smaller investor. By leveraging its digital infrastructure and the newly acquired, large-scale private assets, *WisdomTree* is poised to democratize access to an asset class that has historically been reserved for the ultra-wealthy.

The attraction of farmland

Farmland has long been a desirable, but inaccessible, investment. Its appeal stems from its low correlation to traditional markets like stocks and bonds, its ability to act as an inflation hedge, and its potential for both income generation and capital appreciation. However, purchasing farmland requires a substantial amount of capital, complex legal arrangements, and a deep understanding of agricultural operations. As a result, farmland investing has been largely the domain of institutional investors, pension funds, and a select few mega-billionaires (Bill Gates and Jeff Bezos are major owners). Until now, the only way we can participate in farmland for our investors is through interval fund *Versus Real Assets* (VCRRX), and it allocates only about 32% to farmland (and another 27% to timberland), for liquidity reasons.

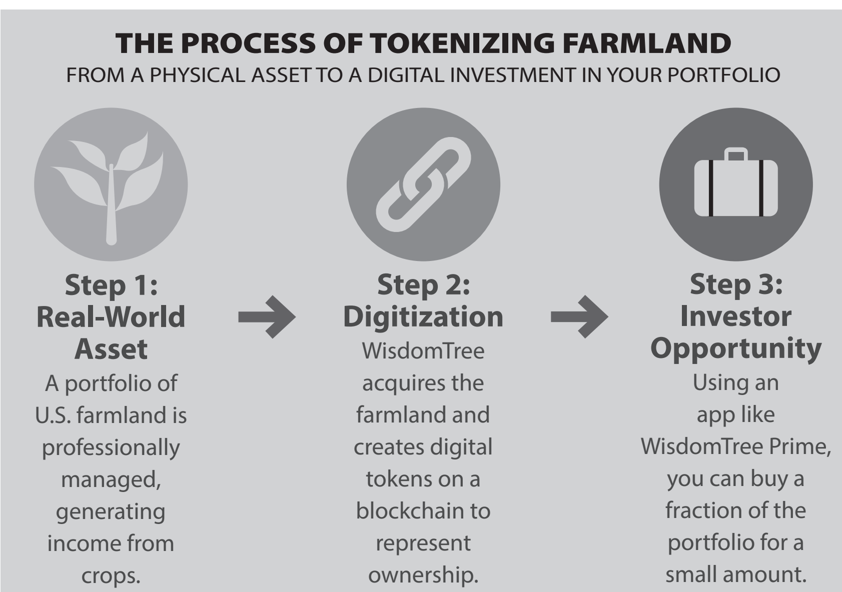
But with its purchase, *WisdomTree* plans on offering the industry's first pure play on the asset class. By 'cutting' a giant farmland portfolio into many smaller, fractional digital pieces, it becomes far more divisible and affordable. *WisdomTree*'s purchase of *Ceres Partners* gives it a vast, physical foundation of assets to tokenize. Unlike with conventional mutual funds or ETFs (and more liked closed-end funds), tokens can be exchanged without disturbing the underlying portfolio. So tokenization is friendly toward long-dated illiquid assets such as farmland and timberland.

WisdomTree's edge

WisdomTree has been preparing for this type of strategic move for years by building a robust digital infrastructure. This includes the development of its blockchain-native digital wallet, *WisdomTree Prime,* aimed at retail investors, and its institutional platform, *WisdomTree Connect,* which provides institutions and businesses with seamless access to tokenized assets. These platforms have already been used to issue and manage a suite of tokenized funds, including money market funds and equity funds. This prior experience with issuing regulated, tokenized assets on a blockchain means *WisdomTree* already has the technological 'plumbing' in place to handle the distribution and management of tokenized farmland. ■

The Digital Harvest

How tokenization is cultivating a new field of opportunity for everyday investors



Tokenizing farmland will be WisdomTree's *(and perhaps the industry's) proof of concept. It will lead to tokenization of many more real assets, some of which will be useful for our clients. We suspect timberland may be next after farmland.*