

MARKET COMMENTARY

Fall, 2025

Clifford G. Dow, Sr. In Memoriam

— *Russell B. Dow, J.D.*
Private Account Portfolio Manager

Dear Client:

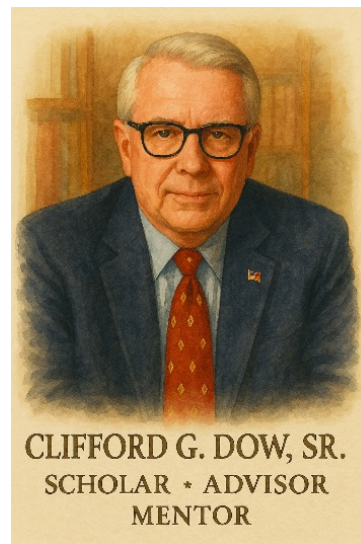
Clifford Dow, Sr., passed away this past spring.

With a career that spanned over half a century, Cliff was an advisor to countless investors and trusted confidant of many. Academic in his approach, methodical and conscientious in every endeavor, he helped educate his clients while making their financial lives more secure.

Despite working in a money-centric industry, his passion and focus was for his clients, the academics of investing, and his family.

Having an impactful career is noteworthy. To have cast a legacy that transcends one's own time is something more. Clifford was foundational to the firm we are today, in culture, philosophy, and the spirit that carries forward.

We deeply miss him while finding his presence in so much of what we do, how we do it, who we are as a firm, and, for me, as an individual.



*An AI-generated "painting"
30 seconds processing time*

The 2025 Tariff Tantrum or "Chaos Begets Chaos"

The S&P 500 fell over 20% from its early-2025 high only to recover four months later. From the lowest day of the year to the new highs, we are up over +40%.¹ The quick gains came as investors realized that a chaotically imposed tariff regime has had negligible impact on inflation and overall corporate profits.

Even so, tariff-induced consequences might simply be delayed as companies work down inventories—or stop absorbing the tariff costs and pass them on to consumers.

There is an argument, therefore, that the market sell-off was only premature. Regardless, there is the lesson retaught that investors who try to predict market direction risk being on the wrong side of the trade when it reverses.

As painful as it is, the most successful stockholders endure the downdrafts *so that* they are well positioned to gain from recoveries when they unpredictably happen.

So, to repeat a favorite adage: Pessimists sound smart. Optimists make money.

Inflation and Other Apparitions

Despite the tariff-induced inflation anxiety, the evidence of a price spiral remains scant. The springtime misdiagnosis—quantified by the fleeting market decline—was a \$3+ trillion mistake: a fireable offense outside of government and academia.

Even that was the smaller of recent wayward inflation calls. Post pandemic, the Federal Reserve policymakers were notoriously wrong. Unable to recognize then-surging prices for nearly a year, the tsunami was well ashore before they acted. Savings eroded by 9%. In dollar terms, that equated to \$13.5 trillion of lost U.S. household purchasing power.

To us as investors, an increasing inflation rate and its inevitable resultant interest rate rise are critically relevant. But *seeing* inflation where it *isn't* or *not* seeing it where it *is*, matters, too. Often, investors fight ghosts to their own harm. And worse, they may ignore shadows that hide real dangers.

Unfortunately, economics better explains *what happened* rather than what *will* or even what *is* happening. The view ahead is murkier than pundits may lead us to believe.

Analysts are not so much at fault for getting their projections wrong; only investors are wrong for believing that they get them right.

So, What to Do?

If a risk is both *highly consequential* and yet *unpredictable*, then the only reasonable measure is to guard against it *at all times*. That, of course, is the theory behind seatbelts. Accident forecasts are best left to psychics, compelling the rest of us to remain perpetually crash-ready.

The latest Fed call is that inflation remains “sticky.” Parsing words, that seems more ominous than their badly chosen 2021 moniker that elevating prices were merely “transitory.”

So, although champions of the recent stock market recovery might be forecasting a low-inflation/low-interest rate environment, only uncertainty prevails. Defensive driving is no less important for hazards that may lie ahead:

- Tariffs are inherently inflationary. They conspicuously boost costs of imported goods. In turn, they perniciously provide a safe harbor for domestic producers to raise their selling prices—regardless of need. If tariffs make foreign cars more expensive,

then domestic automakers can raise their own prices with impunity, extracting an extra dollar from the consumer.

- Companies are reporting that tariffs, in fact, *are* squeezing margins. That may compel them to push the higher input costs onto their customers.
- The fast-expanding national debt and the unending budget deficits are the Bonnie & Clyde of government fiscal mismanagement. Each is bad on its own, but also, the one only brings out the worst in the other.

Whether the road ahead risks a weakening dollar, a recession, or delivers continued prosperity, for us, being ever-prepared for all eventualities means:

- *not holding* excessive cash deposits,
- *not owning* long-term bonds,
- *not owning* fixed-rate contracts such as annuities

in favor of owning the two purebreds of the financial securities markets, optimized for long-term growth and safety:

- *high-quality stocks* that, as equity, tend to appreciate *because of* inflation and
- *short-term* fixed-income assets that can be quickly rolled over into higher yielding issues if rates rise.

Such a portfolio focus has proven resilient under the worst of circumstances while providing healthy return potential. Importantly, it lets the analysts be right or wrong in their views, taking predictions out of the equation for making investment decisions.

Historically High Stock Prices or A Broken Index?

I have rarely known an investor who thought stocks looked “cheap,” regardless of the climate. When markets are tumbling, stocks look spooky with more room to fall. During hot markets, the highs seem stratospheric, seemingly holding more downside risk than further upside potential.

Today, not surprisingly, the talk among many analysts is of market “overvaluation.” A common metric to prove the point is the price-to-earnings ratio of the S&P 500 Index. That number stands at 28, a +40% premium above its past-half-century-average 19-20 range.²

That observation, however, may be based on an oversimplified analysis.

The S&P 500 Index no longer represents the broad market as it once did. It has become heavily skewed with just 10 issues accounting for 40% of its value.

In contrast, calculating the P/E of an *equal-weight* list of the largest 1000 traded stocks (a

true average) yields a figure of only 19.6—effectively the midpoint of the long-term mean range.³

The “market overvaluation” conclusion, then, seems influenced by just a handful of stocks while broadly diversified portfolios may be more reasonably valued.

The tug of gravity, then, might not end the bull market just yet. Said the optimist (but not the psychic).

AI to Beget AGI to Beget...

Arguably, there is not enough money in the world to quantify the economic impact AI promises to deliver in the years ahead. As with every new technology, companies are learning to leverage the tool even as it reshapes industries.

The race is on now to develop Artificial General Intelligence (AGI), bringing PhD-level competency in *all disciplines* for *all tasks*. The timeline for that realization is estimated at mere years to many decades. Whether near-at-hand or more distant, each iteration of the technology brings the world closer to nirvana—or its demise, depending on who one asks.

Faster Is Smarter

A paradox of AI is that faster processing means better AI models, larger datasets and, thus,

smarter results. That is unlike traditional computers where CPU advances have meant only completing the same work in less time.

Then, too, a version of Moore’s Law (the doubling of computational power every two years) has been playing out—but at a much faster pace. The computing power required to train a new AI model has been doubling every three to six months.

The future is coming fast.

Investing in AI—A Lesson From the Past

In the 1990s, as the Internet emerged as an industry-changing technology, telecommunication companies took the lead. They provided the infrastructure for the most critical technology of decades. Nonetheless, despite that importance, few such companies made money. With intense competition, they ate one another’s lunch. The enduring value was found in many of the companies that effectively used the technology, not always in those that enabled it.

In these early days of AI, the software and hardware providers are, of course, critically important and are reaping economic reward. But the companies that masterfully wield the new AI tool to provide better service at lower costs will win, as well. So, they should not be overlooked.

For growth stock portfolios, by emphasizing the ownership of prospering companies, portfolios organically evolve, becoming populated with companies best maximizing any turn of events, whether it is a changed economy or a new technology. Weaker companies suffering from slowing or contracting sales and earnings are culled in favor of those that are succeeding at above average rates.

Therefore, becoming invested in the most promising companies is not about conjecture, guessing which will be tomorrow's stars. It is about owning those proving themselves today because the best predictor of future success tends to be current success.

That discipline, consistently applied, seems to be all the more relevant and potentially beneficial in the period ahead.

Quick Hits: An Investment Theory Review

Reflections and rules of thumb, alone, are insufficient for a comprehensive investment strategy. But they are directionally good markers. Ours include:

- The *biggest* determinant of long-term investment returns is *asset class allocation*: stocks versus bonds versus cash. Investors with the highest allocations to stocks have tended to have enjoyed the highest returns.
- That simplicity for riches unwinds, unfortunately, because stock investing comes with the risk of irrecoverable losses. Even if such events are rare, the risks are greater than most are willing to endure.
- If we suppose that a Great Depression-style setback happens just once a century, there is a 50% probability of its happening in the next 50 years; a 25% chance in the next 25 years; a 10% chance in the next decade.
- A one-in-ten chance of a financial wipeout for the decade ahead is better than Russian roulette odds, but not compellingly better. Then, too, who is to say that such events happen so rarely? Investors broadly lost their shirts during that stagflation of the 1970s, in 2000, in 2008-09, and many again post 2020. And, back then, the nation was not \$40 trillion in debt. The odds could be worse now.
- Broad diversification, alone, is not an antidote against irrecoverable loss. Sometimes *all junk* goes bad at the *same time*, as evidenced in 2000 with speculative stocks and 2008-09 with subprime loans.
- Nor are bonds a panacea against loss. The world over, throughout time, inflation surges have routinely sent fixed-income investors to the soup lines.

- *Broad diversification* among *high-quality* stocks might have considerable staying power, albeit with the discomfort of volatility. There is no free lunch.
- It is worth noting that, for many investors, quality is of little importance during bull markets. In fact, quality should be expected to be a *drag* on performance. This is the price of its potential insurance during adverse periods. But it is a cost we believe to be well worth paying.
- The emphasis on *high quality* stocks is the *basis* for a high allocation to equities. With them, we hope to mitigate the risk of an irrevocable loss of principal or purchasing power due to inflation. Or, to put it another way, if a stockholder invests predominantly in average or below-average quality stocks, then he probably should not allocate as much of his portfolio to them.
- Investment success favors those focused on the long arc. It is for those who accept uncertainty in the *timing* and the *amounts* of their expected rewards. It is for those who approach the task while knowing that we seek to *participate* prudently in the markets, not outwit them.

Recognizing these dynamics can help shape a portfolio designed for long-term success.

Proudly, New Colleagues

I am pleased to introduce two new colleagues who have joined Dow Wealth Management.



Jason Andriano has 16 years of experience as a financial advisor. He holds an MBA and is a financial planner (CFP).⁴ Jason assists our clients with their retirement planning and

questions—both for those still working and for those already retired. If Jason might be of assistance to you, I invite you to contact him. Jason's assistance is at no cost to our clients to help further ensure their optimal long-term financial results.



Xantia Kansil, graduated from the University of Vermont with a degree in computer science.

Xantia provides client support services and operational support. She is fully licensed as a financial advisor.

Et Tu, Russ?

It is natural for clients of a certain age to ask their advisor of a certain age, “What are your own retirement plans?” or, more pointedly, “What happens if you get hit by a bus?”

When someone would ask my dad that question, he simply would point to me—or to one of my brothers—who worked alongside him. He had his own heir-and-a-spare strategy right here in the colonies.

I do not yet have the luxury of a next-generation to carry on for me. My children are still of school age—albeit they are proving me to be their relative academic simpleton. So, they hold good promise for us someday.

In the meantime, for those who may be curious, like my dad, I have no interest in retiring. Even so, a willing spirit does not overcome mortality. Fortunately, organizations are built for resiliency. Dow Wealth Management is designed to endure for the ages.

As a team of 15 professionals supported by a growing family office infrastructure, we oversee a broad range of assets—including investment portfolios, operating businesses, and multigenerational family enterprises.

We have a depth of talent and organizational structure designed to outlast any of us. As a firm, we seek to ensure the financial future of

our clients alongside those of our own families. So, our focus is keenly on the best of the best: of the professionals who join our growing team; for the resources that we draw upon; and our clients for whom we are proud to work.

Thank you for your confidence. I wish you and family the best of Thanksgivings.

Kind regards,



Russell B. Dow
President & Senior Portfolio Manager
Member: Maine State Bar Association

This paper represents the general economic overviews of Russell Dow, Dow Wealth Management, LLC, and does not constitute investment advice, nor should it be considered predictive of any future market performance. Any securities mentioned are for illustrative purposes only and are not recommendations to buy, sell, or hold such issues.

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¹ S&P 500 Index as of 11-10-2025

² Vanguard S&P 500 ETF (VOO) and https://www.valuescopeinc.com/resources/white-papers/the-sp-500-pe-ratio-a-historical-perspective/?utm_source=chatgpt.com

³ Invesco Russell 1000 Equal Weight ETF (EQAL)

⁴ “CFP®” and “CERTIFIED FINANCIAL PLANNER®” are certification marks owned by Certified Financial Planner Board of Standards, Inc.

Year-End Housekeeping

The following are reminder items that are good to address annually.

Verify Your Account & Insurance Beneficiaries

Beneficiary designations override any provision otherwise made in a will, so are critically important to have correct.

For IRAs and accounts with Transfer on Death (TOD) designations, this information can be found on your monthly account statements.

Employer-based retirement plans and life insurance policies should be reviewed for accuracy.

Account and Asset Titling

How a financial account or asset (such as real estate) is titled can be essential to ensuring your estate planning objectives.

Ownership titles should be reviewed with your attorney.

Secure Your Identity

Identity theft is an ongoing concern. Several simple steps can help to minimize risks.

1. At no charge, the major credit reporting agencies will freeze your credit scores, creating a steep hurdle for a bad actor to secure a loan in your name:

- Equifax ([equifax.com](https://www.equifax.com))
- Experian ([experian.com](https://www.experian.com))
- TransUnion ([transunion.com](https://www.transunion.com))

Note: You, also, can lock the information for minor children through these agencies.

2. **Establish 2-Factor Authentication on all your accounts.** Most online financial services allow users to require a second form of authentication before an account can be accessed. This level of enhanced security can be a significant improvement over using just a username and password.

This should be done, also, for email accounts and social media accounts to help prevent them from being compromised.

3. Add your family's phone numbers to the National Do-Not-Call Registry at [donotcall.gov](https://www.donotcall.gov)

Although this service is designed to stop sales calls from legitimate telemarketing companies, if your phone number is registered, it can be easier to identify illegitimate calls since such callers are not abiding by the law.