



September 2025

Quarterly Commentary: Twists and Turns

The pace of policy change in Washington remains brisk, and investors have largely welcomed the developments. Tax stability, tariff policies designed to encourage domestic production, and early regulatory frameworks for innovations such as cryptocurrencies all reflect a focus on strengthening the US economic foundations. Looking ahead, we anticipate further policy attention on artificial intelligence (AI) and autonomous vehicles as these technologies move toward broader adoption and commercialization.

At the same time, the Federal Reserve faces a complex backdrop as it weighs potential adjustments to monetary policy. Inflation remains above target, with the Fed's preferred measure, the core PCE index, up 2.9% year-over-year through July, nearly a full percentage point higher than the Fed's stated goal of 2.0%. Meanwhile, the labor force has contracted for three consecutive months, the first such trend since 2011 and monthly job growth has slowed below recent averages. Unemployment now stands at 4.2%, yet overall employment remains above pre-pandemic levels and wages continue to grow. Importantly, GDP rose 3% in the second quarter, underscoring the resilience of the U.S. economy.

The Fed's September meeting will be watched closely. So far, inflationary pressures from tariffs have not yet significantly materialized, and energy policy has kept oil prices contained. However, the combination of strong growth and softening labor creates a dilemma for the Fed as it considers whether to adjust the federal funds rate. This tension underscores the twists and turns investors should expect in today's economy.



We see this period as part of a larger economic transition. New policies and transformative technologies are reshaping the economic landscape, creating both challenges and opportunities. While tariffs may raise certain prices, AI adoption promises efficiency gains and long-term productivity growth.

In equity and balanced portfolios, we remain focused on companies best positioned to benefit from these shifts. We believe AI represents a “Supercycle” of innovation on par with the Internet. The first wave of investment has already begun, and the next stage will involve evaluating returns and identifying long-term winners. The recent pullback in AI-related stocks is both normal and healthy, allowing markets to separate sustainable growth opportunities from short-term hype.

Beyond AI, autonomous and electric vehicles represent another area of powerful growth. At AHB, we look to anticipate these changes and allocate to industries, sectors, and companies positioned to accelerate earnings as these technologies scale. While semiconductors provide the foundation of AI technologies, we expect adoption to expand into nearly every sector as applications prove their value.

On the fixed income side, we have extended maturities in both taxable and municipal bond portfolios, capturing attractive yields within the intermediate-term range. Municipal bonds, in particular, are well-positioned. With tariff concerns easing and inflation pressures stabilizing, the probability of lower interest rates over the intermediate horizon increases, making this a timely moment to deploy investable funds in bonds. While investment-grade taxable bond spreads are tight compared to historical levels, the health of corporate balance sheets, especially in comparison to government debt, matched with their current yields, continues to make them attractive.

The global economy is undergoing dramatic change. Just as in past eras, from agriculture to industrialization, from the computer age to the internet—redefined opportunity—we are now entering the era of artificial intelligence. Each cycle brings challenges but also unprecedented innovation and growth.

As always, thank you for your continued confidence in our investment management services. Please don’t hesitate to reach out if you’d like to discuss your portfolio further or if there are any changes in your financial plan that we can help you prepare for.

With warm regards,

AHB Investment Team