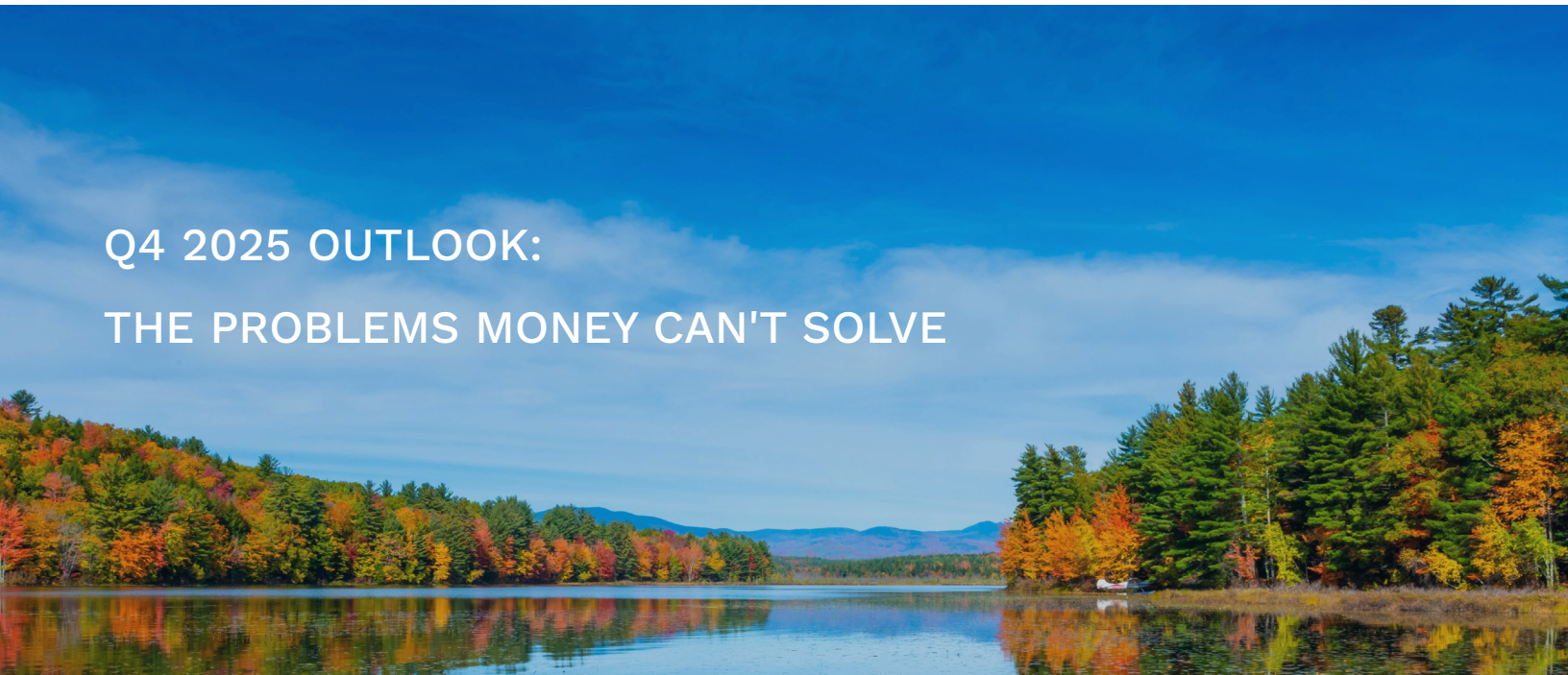


A wide-angle photograph of a calm lake reflecting a vibrant autumn forest. The trees on the far shore are in various shades of orange, yellow, and red, with some evergreens still green. The sky is a clear, deep blue with a few wispy clouds. The reflection in the water is sharp and clear.

Q4 2025 OUTLOOK: THE PROBLEMS MONEY CAN'T SOLVE

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Imagine this. You have just won \$1.7 billion in Powerball. Now what do you do? Not what you would buy—let's be real, you've fantasized about that enough already. What does your life look like when you have no more problems that can be solved with money?

Now hold that thought, because it explains why most personal finance books are awful.

Mostly, because they're too basic: "Invest in low-cost funds, add a dash of alts, and wait a few decades." It's good advice, but cliché, boring, and obvious to the very readers drawn to these books. Once the basics are covered, the rest is just padding. And the irony is that the kind of people who read personal finance book are usually the ones least likely to need financial advice. These books fail because they focus only on the mechanics while losing sight of the big picture. We don't invest just to watch the numbers rise; we invest to achieve life's goals.

That's why the rare excellent personal finance book succeeds by being something else entirely. Jennifer Risher's [We Need to Talk: A Memoir About Wealth](#) is one to read. She was an early Microsoft employee, married to an early Amazon executive (now Lyft's CEO). She doesn't offer a how-to, but an honest account of what it's like to become truly wealthy, and how her relationship with money changes as a result.

She learns that old ideas about money die hard and can be idiosyncratic. For example, her family flies private jets, yet still refuses to buy anything from the hotel minibar because of the price.

Her “new” identity took time to form. Without the need to work, Jennifer struggled with her role in the world. After leaving her job at Microsoft to raise children, she dreaded the question, “What do you do?”—proof that money alone doesn’t relieve status anxiety. Despite her wealth, she felt that not having a job was a personal failing.

Jennifer writes about changed expectations from herself and others. In one instance, Jennifer began giving a family member a generous annual cash gift. At first, the relative sent effusive thank-you notes. But after a few years, the notes stopped. The power dynamic made confrontation uncomfortable, leaving money as a wedge in the relationship. Needless to say, wealth can be a negative for certain family dynamics.

Jennifer’s memoir shows what problems remain once money problems vanish: it’s the enduring ones. Relationships, identity, legacy, and mortality.

Even with generational wealth, some problems were intractable. Jennifer suffered harrowing medical issues that could not be solved with a checkbook. Eternal concerns about properly raising children never went away. Shifting expectations around family and generosity brought new challenges. And as she discovered, no amount of wealth was ever enough—because it never is.

One takeaway is simple: investing is the means, not the end. Once money solves the easy problems, life becomes about the hard ones.

With that in mind, below we cover market events from Q3, why AI is powering a capital expenditure boom, and other items asset managers are thinking about.

Economic Performance

- **GDP Growth Accelerates:** The Atlanta Fed’s GDPNow model estimates real GDP growth at 3.89% for Q3 2025 as of October 1, up from 3.3% earlier in the month. Stronger personal consumption and a larger contribution from net exports more than offset weaker private investment, signaling resilient momentum heading into Q4.
- **S&P Earnings Extend Streak:** S&P 500 earnings grew 7.7% in Q3, the ninth straight quarter of gains. Six sectors saw upward estimate revisions, showing broad support across the index.
- **Hiring Momentum Fades:** While the September jobs report was delayed by the government shutdown, August payrolls rose just 22k (vs. 75k expected), with prior months revised down by 21k—including a 13k drop in June, the first decline since 2020. The unemployment rate rose to 4.3%, while wages increased 0.3% over the month and 3.7% over the past year, keeping the Fed on track for another rate cut in October.
- **Consumer Confidence Falls in Q3:** The index fell 3.6 points in September to 94.2, its lowest since April, as views on current business conditions and job availability deteriorated sharply. Inflation concerns resurfaced as price mentions rose, though 12-month expectations eased slightly to 5.8%, raising risks to household spending going into year-end.

Monetary Policy

- **Fed Cuts Rates After Pause:** After nine months on hold, the Fed cut rates 25 bps in September to 4.00% - 4.25%. Powell framed the move as “risk management,” noting softer labor markets even as inflation stays elevated. Forecasts were little changed, and officials signaled two more cuts in 2025.
- **Fed Dot Plot Shifts Lower:** September projections see the funds rate at 3.25% - 3.50% by end-2026, 25 bps below June. For the rest of 2025, forecasts range from no further cuts to 125 bps, with the median at 50 bps. Inflation is projected at 3.0% in 2025, with 2% not expected until 2027, while GDP growth expectations raised to 1.6% in 2025 and 1.8% in 2026.
- **Deficit Pressures Build:** U.S. debt climbed to \$37.4 trillion (123% of GDP) by September 2025. A \$5 trillion debt-limit increase is set to add \$3.4 trillion to deficits over the next decade, while higher interest costs could tack on another \$2.5 trillion.

Credit Market Performance

- **Credit Resilience Amid Headwinds:** Global credit markets held steady in Q3 as a partial tariff pause eased volatility and defaults remained contained. Still, downgrades slightly outpaced upgrades, and with tariffs set to rise again alongside persistent geopolitical strains, risks to credit conditions remain tilted to the downside.
- **Borrowers Shift to Syndicated Loans:** Companies have repaid nearly \$25 billion to private lenders so far in 2025, refinancing into the syndicated loan market where borrowing costs are lower. This is up from \$20 billion over the same period in 2024.
- **Deal Activity Expected to Rebound:** The Q3 Global Private Credit Survey (PitchBook/LCD) showed that 61% of respondents expect private credit deal activity to edge higher in Q4 2025, with another 11% forecasting a stronger rebound, supported by Fed rate cuts and improving earnings visibility.
- **Illiquidity Premium Rising:** Despite recent Fed cuts, we remain in a higher-rate, more volatile environment. KKR expects the illiquidity premium to widen over the next five years, with Private Equity and Real Estate projected to deliver some of the strongest returns.
- **Treasury Yields Edge Higher as Shutdown Drags On:** Yields rose modestly Monday, with the 10-year at 4.16% and the 30-year at 4.76%, as the government shutdown entered its second week and delayed key data releases. The lack of fresh economic signals has investors turning to upcoming Fed speeches and FOMC minutes for policy clues.

US and Global Market Summary

- **Government Shutdown Adds Risk:** The shutdown adds policy risk by stopping key data releases and shaking confidence. Short disruptions may be shrugged off, but a longer standoff could weigh on earnings, pressure the dollar, and push investors into gold.
- **Gold and Stocks Climb on Rate-Cut Bets:** Gold neared \$4,000/oz (+50% YTD) and the S&P 500 hit its 32nd record as investors priced in two more Fed cuts. Lower rate expectations boosted demand for gold and risk assets even as the government shutdown delayed key data.
- **Tariff Rules Redrawn:** The September order narrowed exemptions—shielding bullion, critical minerals, and pharma while adding aluminum hydroxide, resins, and silicone to duties. A new framework ties tariff relief to future trade deals, using rates on China, Mexico, Canada, Brazil, and India as leverage while protecting U.S. supply chains.
- **Q4 Outlook Steady:** Analysts see S&P 500 earnings rising 7.4% and revenue up 6.4%, led by Technology, Communication Services, and Health Care. Uneven performance across sectors and valuations above historical averages could shape market direction.
- **AI Infrastructure Emerges as Major Investment Theme:** Nvidia announced plans in September to invest up to \$100 billion with OpenAI to build massive new data centers, while U.S. data center construction hit a record \$40 billion annual pace in June. Together, these moves highlight AI infrastructure as one of the most important long-term investment priorities—on which, see more below.

Markets*

	As of 9.30.2025	Q3 Return	2025 YTD
S&P 500	6,688.46 pts	7.8%	13.7%
NASDAQ	22,660.01 pts	11.2%	17.3%
The Dow	46,397.89 pts	5.2%	9.1%
Global Equities		11.3%	19.1%
Emerging Markets		10.7%	27.7%
Energy		5.3%	4.3%
Gas	\$3.61/gal	-0.7%	3.1%
Gold	\$3,856.02/oz	16.8%	47.0%
VIX	16.28 pts	-2.7%	-6.2%
10-Yr Treasury	4.152%	-7.6 bps	-41.7 bps

*See endnotes.

Alternatives*

	Q2 Return	2025 FY
Direct Lending	-5.3%	-7.2%
CLOs	2.1%	6.0%
Private Equity	0.2%	3.4%
Hedge Funds	3.1%	7.4%
Equity REITs	0.7%	3.6%
Residential REITs	-5.9%	-9.5%
Industrial REITs	6.6%	4.7%
Wine & Cheese	-12.0%	-25.3%
Crypto Market	31.9%	16.4%
SPACs	18.4%	31.2%

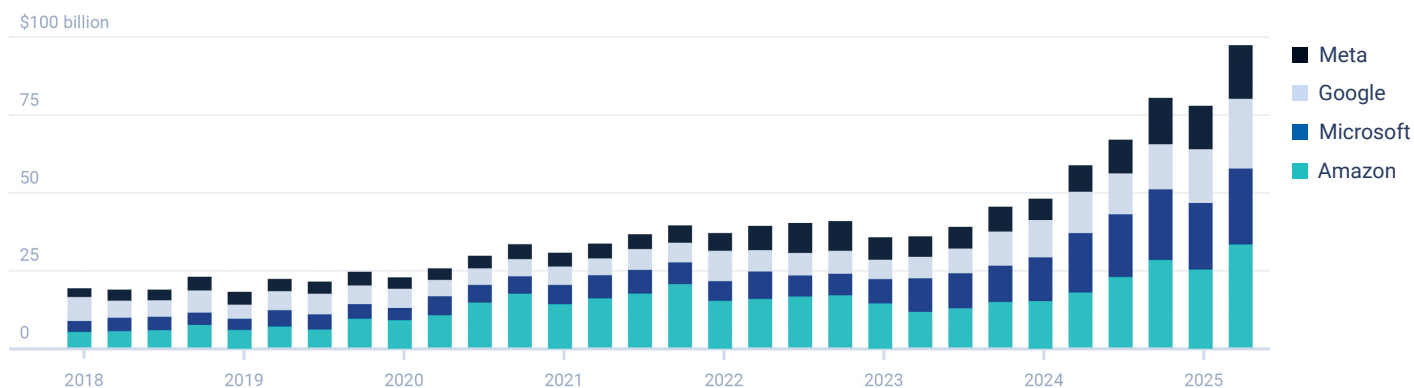
*See endnotes.

It was only November 2022 when ChatGPT launched. Since then, AI usage has flourished. ChatGPT alone handles 2.5 billion daily prompts. Nvidia has since gained over 1,000% and capital investment has gone exponential. Below we examine the new era in infrastructure investment.

Infrastructure is at the Center of the New Investment Cycle

The past quarter has underscored that the future of economic growth is being built on infrastructure. The numbers are staggering. In Q3 2025, the “Magnificent 7” poured more than \$100 billion into capital expenditures, fueling a surge in AI-related infrastructure. For the first time, this investment contributed more to GDP growth than consumer spending—and the momentum shows no signs of slowing. Goldman Sachs estimates global GDP could increase by over \$7 trillion in the next decade due to AI. Even more modest projections show substantial growth.

Capital Expenditures, Quarterly

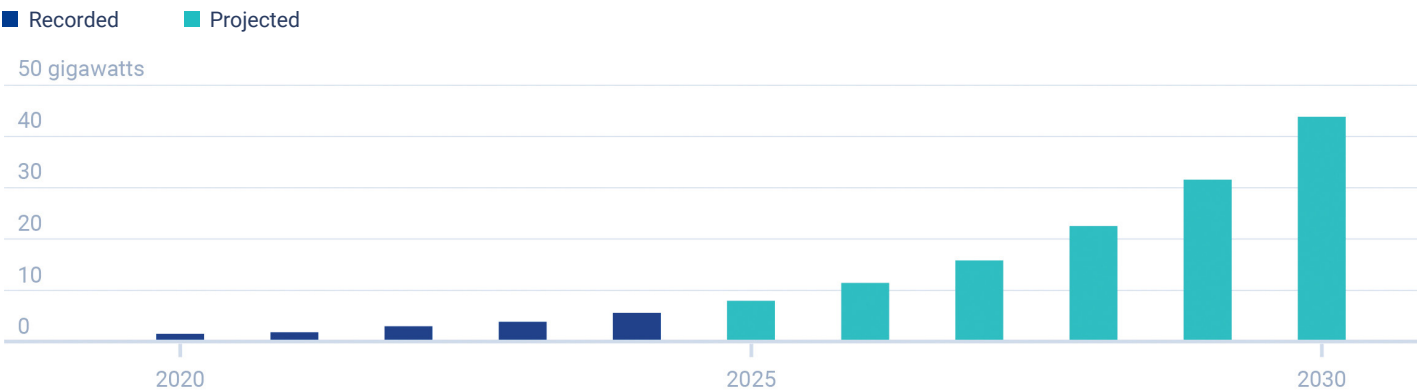


Note: Data are for calendar quarters and include finance leases. Data: Meta, Google, Microsoft, Amazon. Source: The Wall Street Journal.

The Largest Infrastructure Build in History

Meanwhile, OpenAI is testing the outer limits of financing capacity. Its plan to build five new U.S. data centers—part of a broader wave of planned expansion—carries an estimated \$1 trillion in capex and would rank among the largest infrastructure buildouts in U.S. history. Ancillary beneficiaries range from cloud and security vendors, GPU/TPU providers, and the veritable army of consultants and experts tasked with deploying AI across research, government, and business institutions. Infrastructure professionals see opportunity for private and public capital to build fast enough to keep up with such ambitions.

Projected AI Data Center Capacity, North America



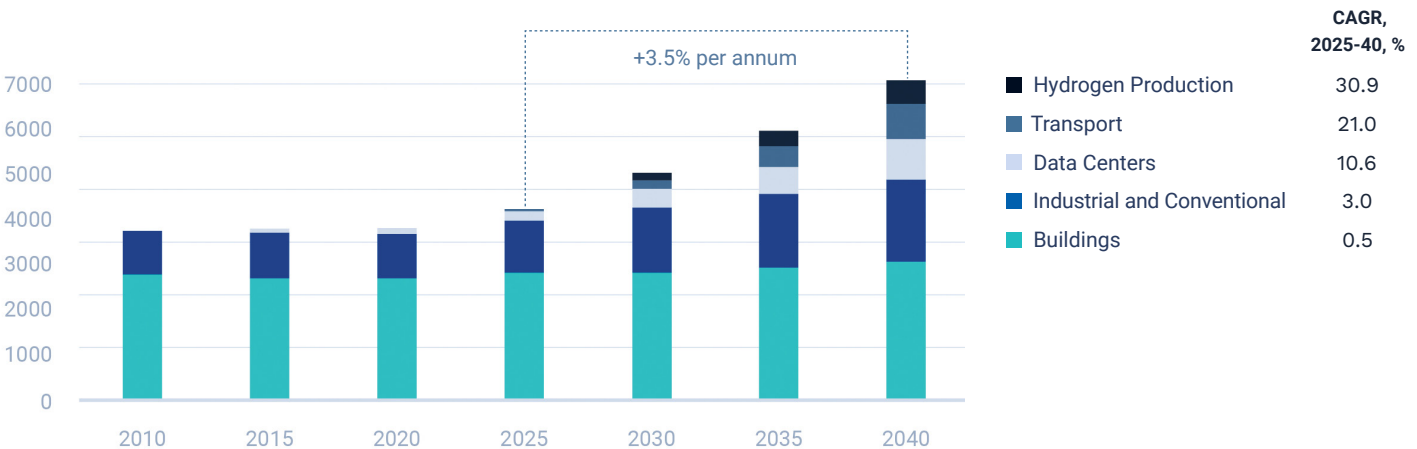
Note: 2025–30 are projections. Data: JLL. Source: Wall Street Journal.

Power Demand Soars

Infrastructure demand isn't just digital. After years of flat electricity usage, U.S. demand is now projected to rise 1–2% annually, fueled by EV adoption, new data centers, and the tapering off of efficiency gains. Utilities are responding with grid upgrades and expanding capacity. The steady growth of electricity demand provides a long-term runway for infrastructure spending across transmission, distribution, and generation assets.

US Power Demand, by Sector, Current Trajectory Scenario,¹ Terawatt-Hours

US Power Demand is Expected to Increase up to 3.5 Percent Annually Through 2040

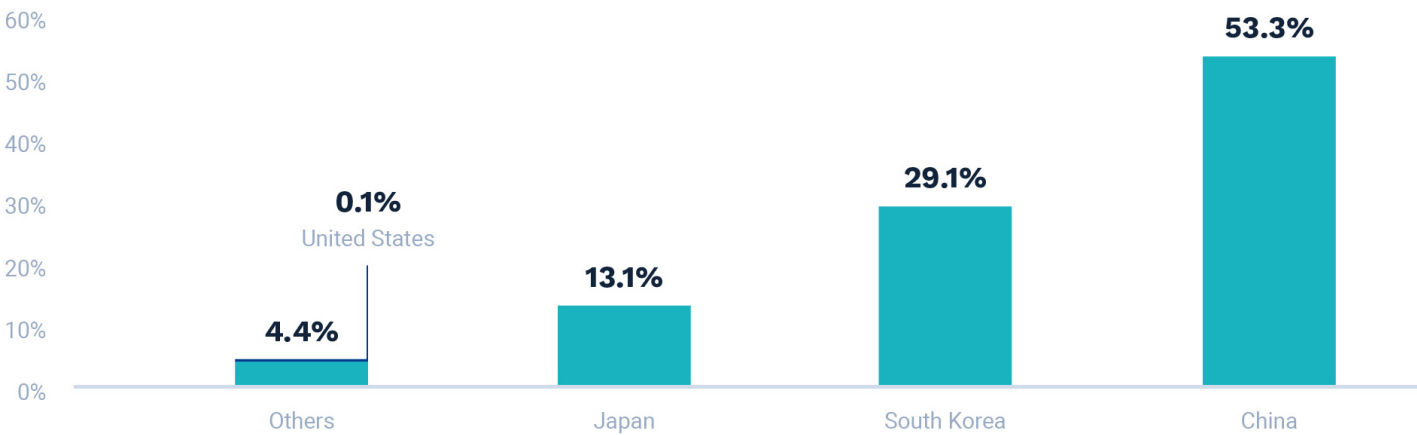


1. Volumetric power demand load is total downstream sales, comparable to data that operators are required to provide on the US Energy Information Administration's Form EIA-861. It represents the gross of distributed generation, behind-the-meter systems, and transmission and distribution losses.
Source: McKinsey Power Model.

Getting Our Ship Together

Enhancing US manufacturing has been a policy focus which could encourage other infrastructure building. One previously lagging area of focus is naval capacity. In 2024, U.S. shipyards built fewer than 10 commercial ships, while China's turned out well over 1,000. In 2025, the bipartisan SHIPS for America Act proposes to change that. If passed, the bill would direct an estimated \$1.5 billion annually into U.S. shipyard revitalization and maritime infrastructure. For investors, this would create rare visibility and certainty in an industry often plagued by funding gaps and political cycles.

The U.S. Accounts for 0.1% of Global Shipbuilding



Source: Authors' calculations at the Center for Strategic and International Studies and S&P Global Sea-Web. = ~69k gross tons.

Taken together, these themes point to a historic moment for infrastructure: digital networks, energy systems, and even maritime capacity are converging as national priorities. For investors, the opportunity is clear. More than maintenance spending, this is an abundance-based cycle that positions infrastructure at the center of economic and strategic growth.

Conclusion

Jennifer Risher’s story makes one thing clear: once money solves the easy problems, the hard ones of identity, legacy, and relationships remain. The same is true for markets today. With stocks at high historical valuations and 60/40 no longer a way to mitigate volatility, the easy gains are behind us. Now comes the heavy lift of building data centers, upgrading grids, and reviving manufacturing capacity.

Endnotes

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). Bloomberg or Bloomberg’s licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material or guarantee the accuracy or completeness of any information herein, nor does Bloomberg make any warranty, express or implied, as to the results to be obtained therefrom, and, to the maximum extent allowed by law, Bloomberg shall not have any liability or responsibility for injury or damages arising in connection therewith.

“Crypto Market” represented by the Bloomberg Galaxy Crypto Index. “NASDAQ 100” represented by the NASDAQ 100 Index. “S&P 500” represented by the S&P 500 index. “Private Equity” represented by the Invesco Global Listed Private Equity ETF. “Direct Lending” represented by the DLX Direct Lending Index. “US Residential REITs” represented by the MSCI US Residential REIT Index. “CLOs” represented by the Palmer Square CLO Debt Index. “Leveraged Loans” represented by the S&P/LSTA Leveraged Loan Total Return Index. “High Yield Bonds” represented by the Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged. “Gold” represented by the SPDR Gold Shares. “Emerging Markets” represented by the iShares MSCI Emerging markets ETF. “Investment Grade Bonds” represented by the Bloomberg US Corporate Bond Index. “Hedge Funds” represented by the Bloomberg All Hedge Fund Index. “Equity REITs” represented by the MSCI World Equity REIT Index. “Financials” represented by the Financial Select Sector SPDR Fund. “Telecom” represented by the iShares US Telecommunications ETF. “Utilities” represented by the Utilities Select Sector SPDR Fund. “Commodities” represented by the Invesco DB Commodity Index Tracking Fund. “Oil” represented by the United States Oil Fund LP. “VIX” represented by the Chicago Board Options Exchange’s CBOE Volatility Index. “Natural Gas” represented by the United States Natural Gas Fund LP.

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