MORAN
WEALTH MANAGEMENT®

Monthly Digest

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THOMAS M. MORAN, AIF®
CHAIRMAN | CEO | CIO

Insights From Our Founder

Dear Valued Clients,

Investors continue to navigate a complex environment marked by tariffs, inflation concerns, and shifting economic growth dynamics. Despite the continued uncertainty, the economy has proven more resilient than many feared. Inflation remains above target but contained, growth is slowing but not collapsing, and earnings have delivered broadly solid results. At the same time, the Federal Reserve is preparing to ease policy against a backdrop of cooling momentum.
In this commentary, we examine how these themes are shaping the outlook and where we see opportunities and risks for disciplined investors.

TARIFFS: IMPACT ABSORBED, NOT ESCALATING

Earlier this year, tariffs were a central worry—expected to fuel inflation and risk derailing growth. In practice, they have raised costs in select categories, but the broader inflationary effect is still working its way through the economy. Businesses have absorbed part of the impact through inventories and supply-chain adjustments, delaying some of the pass-through to consumers. Even so, the July CPI registered 2.7% year-over-year, with core inflation above 3% for the first time in six months. The Fed's preferred gauge, core PCE, is running near 2.9%—sticky, but not accelerating. These figures suggest that while tariffs continue to add friction, they have not unleashed the feared inflation spike or forced the economy off course.

THE FED: COMFORTABLE EASING INTO A SLOWDOWN

Markets now see nearly a 90% chance of a 25-basis-point cut in September. At Jackson Hole last month, Powell stressed that inflation risks are contained and growth is slowing, but not stalling. The data support this view. Manufacturing PMI rebounded to 53.3 in August, moving back into expansion. Services PMI held at a healthy 55.4, lifting the composite to its highest level in eight months. Housing also surprised on the upside, with existing home sales up 2.0% in July to a 4.01 million annual pace. These numbers show a cooling economy, not a collapsing one, and give the Fed room to ease without reigniting inflation.

GROWTH: SLOWING, BUT NOT STALLING

Real GDP growth is expected to come in around 1.4 to 1.5 percent for 2025, in line with both Federal Reserve and private forecasts. Momentum is likely to ease into year-end as consumer demand softens, inventories normalize, and hiring slows. The overall picture remains one of moderation rather than contraction.

The labor market is showing signs of strain. Job growth in July slowed to just 73,000, well below expectations, and the unemployment rate ticked up to 4.2 percent. Much of this reflects shifting workforce dynamics. With immigration flows receding, employers are relying more heavily on domestic workers, which has raised labor costs but not enough to trigger a wage-price spiral.

Looking ahead, most FOMC participants expect a modest rebound, with real GDP growth around 1.6 percent in 2026.

CONSUMER CREDIT: STRESS RISING EVEN AT THE TOP END

These shifts in growth and labor dynamics are beginning to surface in household credit data. According to VantageScore, 90-day delinquencies among super-prime borrowers (scores 781–850) rose 109% year-over-year in July, while prime borrowers (661–780) saw a 47% increase. Though absolute levels remain low, the pace of deterioration is striking, given these borrowers are typically the most resilient. Auto and mortgage loans are showing the sharpest rise in late delinquencies, and new originations in both fell in July, a clear sign of cooling demand under tighter credit.

Taken together, softer job growth and rising stress among even the most creditworthy households suggest consumer resilience is being tested. While far from a collapse, this shift bears close watching, as consumer stability has been a key underpinning of corporate earnings and market sentiment.

EARNINGS: SOLID HEADLINES, HIDDEN RISKS

Earnings results have been broadly resilient. Roughly 75% of S&P 500 companies beat both earnings and revenue expectations in Q2, and a majority raised forward guidance. This strength has helped keep the index near record levels despite softer growth.

Business investment offered only modest support to this growth, with real private nonresidential fixed investment rising just 3.4% in Q2 2025 year over year, below its long-term recent average of 4-6%. By contrast, AI spending continues to punch well above its weight. AI-related infrastructure investment contributed roughly 0.5 percentage points to U.S. GDP growth in the first half of 2025, and broader estimates suggest AI could elevate overall GDP growth by as much as 0.7 % for the full year. Nearly 94% of information technology firms in the S&P 500 referenced AI on recent earnings calls, signaling how deeply embedded it has become in corporate strategy.

Beneath the headlines, we believe there lies a structural risk: AI models impose unusually heavy infrastructure costs—training frontier models now costs multiples of what it did just a few years ago. AI's economics resemble utilities more than traditional software: each query has real marginal cost, and providers face escalating expenses to stay competitive. Moreover, compute power is highly concentrated among major cloud and tech firms, giving them a substantial edge in managing costs and capacity. Absent improved pricing models or efficiency gains, many developers remain vulnerable to margin squeeze, even as they continue to scale.

If this dynamic begins to surface in earnings, the market narrative could shift quickly. Current enthusiasm for growth stocks may give way to renewed interest in value and quality—companies with durable cash flows and clearer paths to profitability. In our view, the broad earnings picture remains solid, but investors should not confuse AI-driven growth with margin durability.

SMALL-CAPS BEGIN TO RALLY ON RATE-CUT OPTIMISM

Moderating inflation and expectations of Fed easing have reignited interest in small-caps. On August 22, the Russell 2000 surged 3.9%, more than twice the S&P 500's gain and its strongest day of the year. For the week, it advanced 3.3%, outpacing the Dow (+1.5%) and S&P (+0.3%). Earlier, on August 13, the index rose 2% in a day and nearly 5% for the week.

Despite these recent gains the Russell is up only ~6%, well behind the S&P's +10.9%. Analysts note this creates potential upside if the Fed follows through with rate cuts, since small-caps have historically outperformed in the early stages of easing cycles. However, their higher leverage and sensitivity to borrowing costs leave them more vulnerable should growth slow more sharply than anticipated.

INTERNATIONAL STOCKS OUTSHINE U.S. — POISED FOR FURTHER ROTATION

International equities have delivered outsized gains in 2025, reflecting both a softer U.S. dollar and improved relative fundamentals abroad. As of August 22, the MSCI EAFE Index is up 21.49% year-to-date, more than double the S&P 500's 9.79%.

The MSCI EAFE index (tracked by the EFA ETF) is trading at a trailing P/E of roughly 17.8×, which remains notably below the S&P 500's P/E in the high 20s. This confirms a meaningful valuation gap, reinforcing the case for international and value-oriented exposures within balanced portfolios. These relative advantages, combined with an ongoing rotation toward value-oriented sectors, suggest that developed and emerging markets could extend their lead if trade talks progress and currency trends hold.

CONCLUSION

The path ahead will bring volatility, but the evidence points to moderation rather than disruption. Tariffs have largely been absorbed, inflation remains contained though above target, and the Fed is preparing to ease as growth cools without collapsing. Risks are shifting, however. The labor market is softening, and even prime borrowers are showing rising delinquencies, a sign that consumer resilience, long a market anchor, is starting to fray.

At the same time, opportunities are emerging. Earnings remain broadly solid, though AI's economics may pressure margins over time. Small-caps are rallying on expectations of rate cuts, and international equities, trading at lower valuations and offering higher yields than U.S. peers, have moved decisively ahead this year. For investors, this is a moment to stay disciplined and diversified. Pullbacks are part of the cycle and often create opportunity, and our role is to keep portfolios aligned with your goals while navigating change with clarity and discipline.

CLIENT UPDATES

CLIENT UPDATES

Strategy Renaming: Same Discipline, Sharpened Focus

As part of our ongoing commitment to transparency and precision in portfolio management, we've updated the names of several in-house strategies to more clearly reflect their respective investment objectives and market capitalization focus.

NEW CHANGES:

- Moderate Value → Mid Cap Value (MVAL)
- Moderate Select → Mid Cap Select (MSEL)
- Moderate Growth → Mid Cap Growth (MGRO)

These refinements better align each strategy name with the core holdings and objectives, particularly for those focused on mid-cap equities. Our research-driven, active management approach and rigorous selection criteria remain unchanged.

Clients currently invested in these strategies do not need to take any action. The renaming is part of our broader effort to enhance clarity and consistency across our portfolio offerings.

If you have any questions or would like to review how these updates apply to your individual allocations, please reach out to your Moran Wealth Management® advisor.

CLIENT UPDATES

Exclusive Cybersecurity Seminar

Did you know that someone's identity is stolen every 22 seconds? In today's digital age, protecting your personal information is more crucial than ever. We are pleased to invite you to an exclusive seminar on Digital Privacy and Protection, presented by digital security expert Mark Hurley. The event will take place on **Wednesday, October 8th, from 1:00–2:00 PM** at our office. This seminar will cover essential strategies to safeguard your digital life, including:

- Comprehensive personal cyber privacy and security protection.
- Techniques to shield your identity from cybercriminals.
- Methods to monitor and manage your digital footprint, including Dark Web monitoring and title fraud prevention.
- The latest in cyber education for you and your family.

Don't miss this opportunity to learn how to protect yourself in the digital age. Be on the lookout for a formal email invitation and link to register for this seminar.

RECOGNITIONS

Three Major Industry Awards

We are proud to announce that we have been honored with three major industry awards so far this year, recognizing our commitment to client service, workplace culture, and leadership in financial services.

These achievements reflect the dedication of our team and the trust of our clients.

- Named the #1 RIA in Southwest Florida and #5 in the State of Florida by Financial Advisor Magazine for 2025.
- Named one of Florida Trend's Best Companies to Work For in 2025.
- Named the best Financial Advisory Firm by Gulfshore Business – Best of Business 2025.

To read the award disclosures, click here.

FEATURED MEDIA

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Quarter Over Quarter — A New Podcast from MWM

We are excited to share something new with you: Quarter Over Quarter, a podcast hosted by two familiar voices — Tom Moran and Don Drury.

Each episode, Tom and Don will take a thoughtful look at the markets, the economy, and the forces shaping wealth today. But this isn't your typical market commentary. With decades of experience (and a healthy dose of friendly banter), Tom and Don bring clarity to complex financial topics while keeping the conversation engaging and relatable.

You know Tom for his leadership and vision, and you know Don for his sharp market insights. Together, they bring a rare combination of depth and perspective — the kind of dialogue you might expect if you were sitting across from them at lunch, but now in podcast form.

We created Quarter Over Quarter with you in mind. Whether you want to stay informed about the latest financial trends, gain perspective on long-term strategy, or simply enjoy listening to two people who genuinely enjoy debating ideas, this podcast is for you.

Our first episode is now live — and we invite you to subscribe, listen, and even share it with friends and family who want a smarter take on wealth and markets.

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FEATURED MEDIA

Introducing Dime After Dime — Practical Wealth, One Episode at a Time

We are thrilled to introduce another new podcast, Dime After Dime, hosted by the newest member of our team, Anthony ("Tony") Stich.

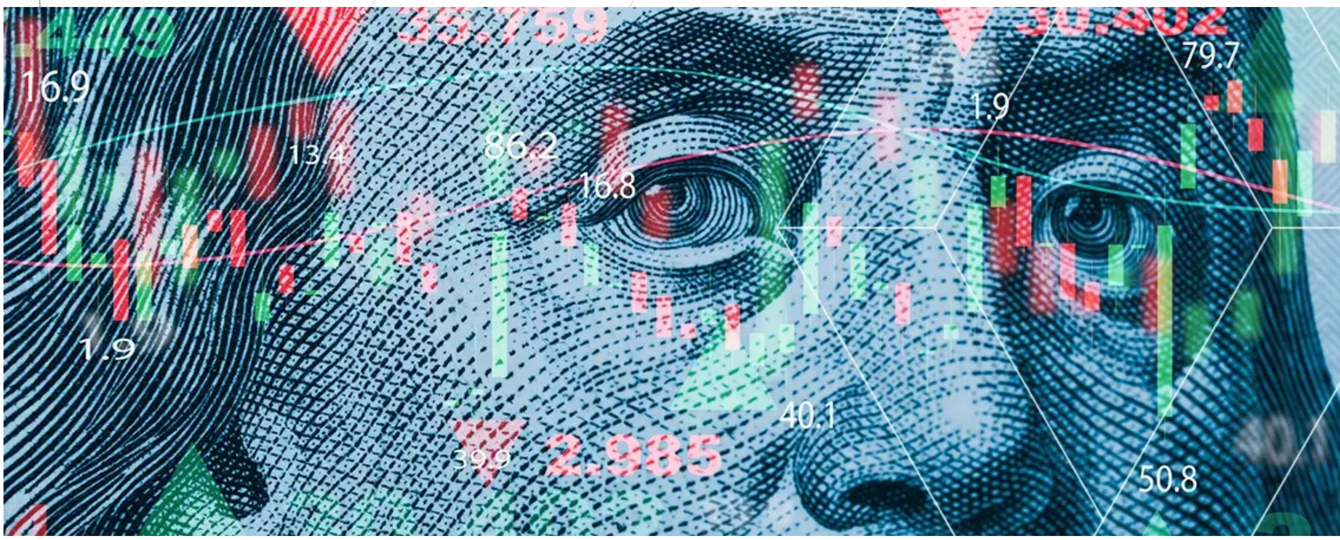
Tony brings a fresh voice to Moran Wealth Management, along with a passion for breaking down financial concepts in a way that is both approachable and fun. Think of Dime After Dime as financial education without the jargon — each episode tackles one big question investors often ask, from building wealth to navigating taxes to planning for retirement.

While Tony may be new to the firm, he is no stranger to the wealth management industry. With years of experience helping individuals and families better understand their finances, Tony has built a reputation for blending clear explanations with a little wit and humor along the way.

Dime After Dime was created for emerging investors and the "next generation" of wealth builders — but we think you'll enjoy it too. It's a chance to hear Tony's perspective, learn something new, and share the podcast with children, grandchildren, or friends who may just be starting to take their financial future seriously.

Episodes are coming soon — make sure to subscribe and welcome Tony by tuning in.

LIKE, SHARE, & SUBSCRIBE HERE



FEATURED INSIGHT

Alternatives Within Your 401(k)

For decades, the investment landscape of 401(k) plans has looked remarkably similar: public stocks, bonds, mutual funds, and—more recently—ETFs. These were the building blocks for millions of Americans' retirements.

That began to change in 2020, when the Department of Labor (under the Trump administration) issued an Information Letter clarifying that private equity could be used in limited ways inside diversified, professionally managed 401(k) funds. It was a subtle but meaningful opening.

Now, in August 2025, President Trump has gone much further. Through his Executive Order on Democratizing Access to Alternative Assets for 401(k) Investors, the administration has directed regulators to actively expand and encourage the inclusion of alternative assets in retirement plans. This means 401(k) investors may soon see exposure not just to private equity, but potentially to real estate, private credit, infrastructure, and even digital assets, all wrapped into their retirement savings vehicles.

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HIGHLIGHTED STRATEGY

MILL

FEATURED STRATEGY

Millennium (MILL)

This strategy seeks long-term capital appreciation by investing in specific growth sectors that benefit the most from changing demographics of the population.

WHAT IS THE MILL STRATEGY?

- Concentrated portfolio of primarily large-capitalization securities in finance, healthcare, and technology sectors as well as internationally diversified corporations.
- Portfolio consists of companies considered to have high growth potential and attractive valuations by the firm's Investment Committee.
- Given the concentration of holdings and targeted sector selection, investors should expect higher-than-average volatility.

For more information on MILL and other strategies, please visit our website.

Your financial advisor will begin building your portfolio by first identifying your unique investment style based on a variety of factors, such as income, risk tolerance, diversification, investment and financial goals, and preferred market exposure. This will help us select a suitable strategy for you, allowing us to use a personalized approach to asset allocation and securities selection that meets your needs and yields the desired short- and long-term results.

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Where Strategy Begins

5801 Pelican Bay Boulevard, Suite 110
Naples, FL 34108

Office: 239.920.4440
Fax: 239.431.5239

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