

## INVESTMENT COMMENTARY & OUTLOOK

October 2025

Our growth portfolios continued to perform exceptionally well in the third quarter, despite the fact that August and September are seasonally weak months. The fourth quarter is a seasonally strong period and we are expecting an “early January effect” for small-to-mid capitalization stocks. As always, we are “locked and loaded” for another earnings announcement season. Our forecasted sales and earnings for our portfolios are available on our website at the address below:

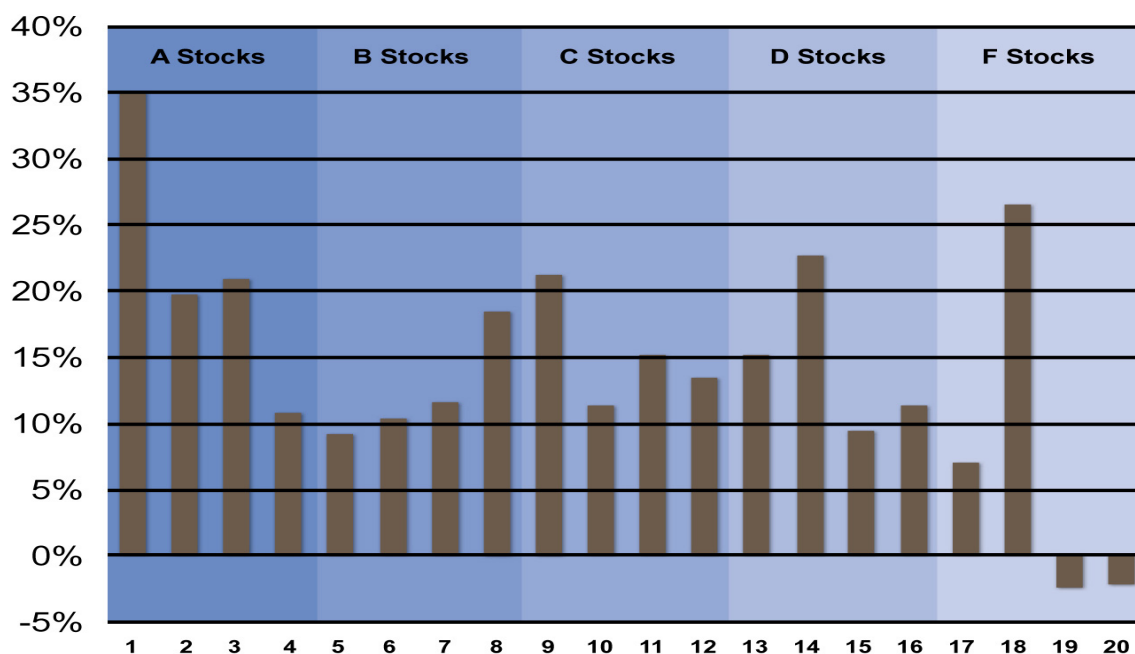
<https://navellier.com/sales-and-earnings-projections/>

Due to the positive sales and earnings outlook, Louis wrote a Barron’s editorial with an upbeat year-end and 2026 forecast titled: Why a Strong Year for Stocks Will Just Get Stronger.

The second-quarter earnings surprises for the S&P 500 were the strongest in 39 years according to our favorite economist, Ed Yardeni. Since our Large Cap Growth Portfolio posted earnings surprises 150% higher than the S&P 500, it is hard for us not to be bullish. The other reason we remain bullish was that our quantitative and fundamental models continue to work exceptionally well.

Specifically, the latest quarterly back-testing of our 8-factor fundamental criteria in Stock Grader revealed that the top 15% of stocks should continue to lead the overall stock market.

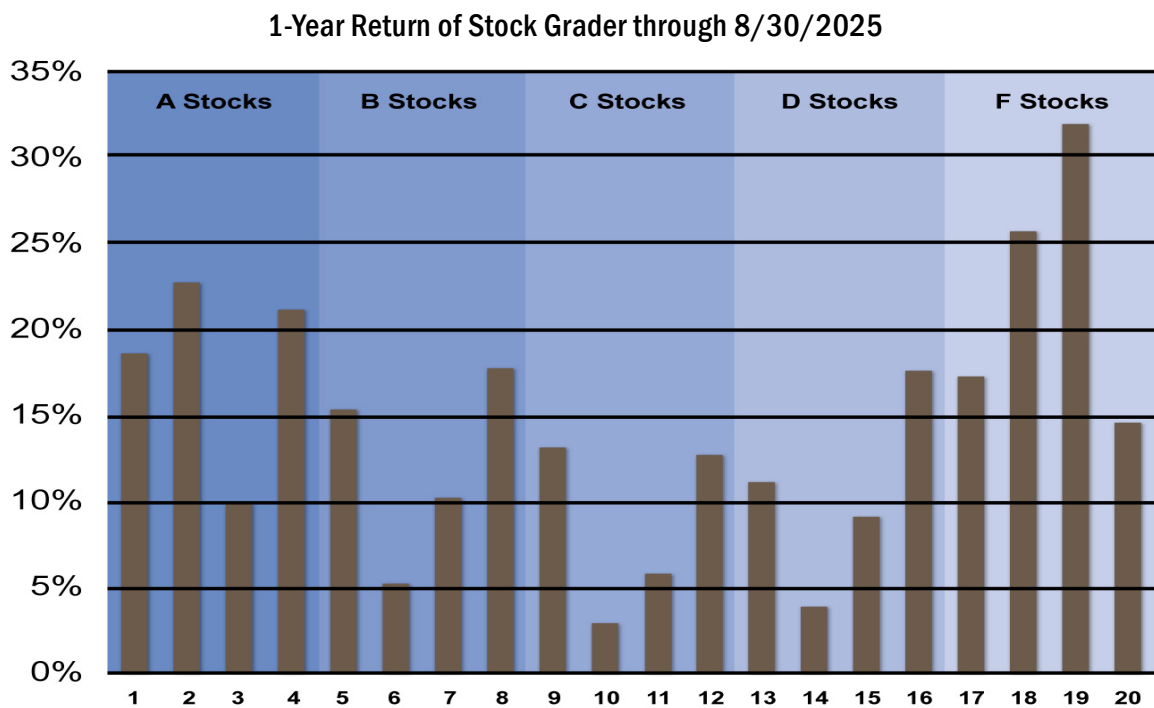
1-Year Return of 8 Factor Fundamental Model through 8/30/2025



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Furthermore, the top 25% of stocks in our overall Stock Grader remain extraordinary.



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We remain proud that Stock Grader continues to identify both Fundamental and Quantitative anomalies that we can capitalize on. The U.S. remains an oasis compared to the rest of the world, and we do not expect the U.S. will slip into a recession like some countries. The positive earnings environment and falling interest rates is a powerful “one-two” punch that is expected to boost both our dividend and growth portfolios for the remainder of the year. As a result, we remain optimistic on our fundamentally focused dividend and growth stocks!

Interestingly, we are now recommending nine gold stocks across our various growth portfolios. Gold is now up 50% year-to-date due to a lack of confidence in central banks, as well as international turmoil. As an example of the turmoil, Japan now has its fifth prime minister in the past five years, namely Sanae Takaiche, who caused the Nikkei to surge based on her promise of more fiscal spending. Unfortunately, the “Takaiche-trade” also puts the Bank of Japan in a pickle, since they will not be able to raise key interest rates, so the Japanese yen gapped down almost 2% relative to the U.S. dollar. Another example of turmoil is that France lost its new prime minister after just three weeks. Specifically, Sebastian Lecornu became the shortest serving French prime minister since 1958 and the third prime minister since 2024 over the inability to finalize a budget with Parliament that is controlled by Marine Le Pen’s National Rally party. Finally, I should add that the U.S. federal government shutdown is also related to budget differences with the minority leadership in Congress.

Despite the federal government shutdown, the U.S. remains an oasis in the world, with better demographics than Asia and Northern Europe, higher key interest rates and stronger GDP growth. Despite warnings signs from ADP private payroll data, the Conference Board’s consumer confidence index, plus a dramatic declaration in the ISM non-manufacturing service index, U.S. GDP growth is resurging with all the onshoring that the Trump Administration is pushing for the automotive, pharmaceutical and semiconductor

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industries. We remain in an environment where bad news is considered good news because weak economic news just insures more key Fed interest rate cuts.

Louis mentioned in his *Barron's* editorial that “barring a black swan event” the stock market would stage an impressive year-end rally. *Bloomberg* reported that some big Wall Street firms, led by Citigroup and Goldman Sachs, are apparently on the hook for a bad \$2.6 billion leveraged bet in short-term Treasuries that caused the collapse of Blackbrook Asset Management Ltd. Leveraged debt caused the implosion of the stock market in 2008 and although Blackbrook was reportedly leveraged 11,000 to 1 according to *Bloomberg*, Treasury securities are more liquid and there is apparently no implosion risk. If we have another black swan event, it will most likely be caused by an implosion of the \$3 trillion per year Private Credit industry that is paying investors 11% yields via leveraged loans in lower grade credit.

S&P Global Market Intelligence recently issued a special report that flagged an “alarming surge” in selective defaults. Leveraged loan defaults continue to rise in the wake of the First Brands (auto parts) bankruptcy as well as the Tricolor Holdings (subprime auto loans) liquidation, which in turn continues to hinder the private credit industry. If the leveraged loan default rate rises above 9%, we suspect that the private credit industry will grind to a halt. The other possibility is the Fed comes to the rescue with its upcoming key interest rate cuts in time to save the private credit industry by allowing distressed lenders to refinance at lower yields.

Amidst the opaque and obscure world of leveraged finance, the U.S. stock market is standing out as a more certain investment due to double digit earnings growth, the strongest earnings surprises in the past four decades, positive seasonality and is benefitting from strong inflows, especially from foreign investors. The technology leadership is increasingly about “betting on a billionaire.” Whether you pick Tim Cook, Jensen Huang, Mark Zuckerberg, etcetera is up to you. We have placed our biggest bet on Nvidia’s Jensen Huang, but a new billionaire influencing the stock market is OpenAI’s Sam Altman, which recently announced a “strategic partnership” with AMD that sent its stock soaring.

Louis has been very clear that he believes Nvidia is the AI leader, but perhaps Sam Altman is worried about the availability of Nvidia GPUs, so it appears that OpenAI also had to make a deal with AMD. Nvidia GPU’s remains superior to AMD’s semiconductors, but clearly the explosive growth in AI is now lifting all boats. OpenAI appears to be diversifying its suppliers and expanding into owning AI data centers as opposed to renting computer capacity from third party providers. OpenAI is the fastest growing software company of all time and with a current private-market valuation of \$500 billion could turn out to be the biggest IPO of all time when it goes public, which may be some time from now as it is being run for growth with still a massive cash burn rate.

Interestingly, approximately 35% of our Large Cap Growth portfolio is invested in AI-related stocks. In addition to a big portfolio weight in Nvidia, we are also loaded in several stocks benefiting from the data center boom. We also own AI appliers, like Applovin and Palantir Technologies that are pioneering AI applications.

In the upcoming months, we are expecting more Fed key interest rate cuts that should “turbo boost” the overall stock market. Dividend growth stocks are also expected to benefit from the falling interest rate environment. The Atlanta Fed is now estimating 3.8% annual GDP growth in the third quarter, despite waning consumer confidence, erratic payroll creation, a federal government shutdown. However, the onshoring efforts are real and 5% annual GDP growth is very possible in 2025.

Overall, the U.S. is in the midst of an economic renaissance. America's power grid is expected to surge at least 40% in the upcoming years due to data centers and onshoring efforts. Much of the growth for the automotive, semiconductors and pharmaceutical industries is occurring in Southern states, so the economic growth across America remains uneven.

Interestingly, one of our new stocks, GE Vernova (GEV) has a 5-year order backlog for its natural gas turbines. Another stock with a massive order backlog is Super Micro Computer (SMCI), which is one of Nvidia's biggest customers. We remain in an environment where stocks with big order backlogs, strong forecasted sales and earnings growth, plus positive analyst earnings revisions have been benefitting from persistent institutional buying pressure.

In summary, we are anticipating another strong earnings announcement season, an early January effect and a strong finish to the year. Multiple Fed key interest rate cuts are in store due to falling Treasury yields. These key interest rate cuts should help interest-rate-sensitive sectors of the U.S. economy improve and set the stage for up to 5% annual GDP growth. We hope you are as excited as we are for our fundamentally focused growth and dividend stocks!

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