

**George McAuliffe – Third Quarter 2025 Commentary**

Dear Clients,

The market in the third quarter of 2025 started with a continuation of Q2's tariff recovery, and continued a slow climb through Q3 as no major negatives emerged in the news flow during the quarter to counter the feeling that the positives continue to outweigh the negatives, at least until further notice.

And so we end the third quarter much as we ended the second quarter — though a few new fault lines emerged, they do not seem sufficient to change the overall narrative. Tariffs continue to be negotiated, despite the very recent re-ignition of drama in the China-US section. Corporate credit and lending seem ok with interest rates set for further cuts, and despite two recent bankruptcies in over-levered auto sales and parts companies. Likewise, employment remains ok, yet inflation is lurking. In global friction, Russia and Ukraine continue to stalemate, but new positives include Trump seeming to now pressure Putin, and a potential Israeli-Palestinian conflict resolution.

For our companies (and perhaps the market as a whole), a mildly positive outlook also still seems the case as earnings expectations are ok, as rates get cut, as tax cuts and R&D expensing near, as housing remains underbuilt, as nearshoring friendshoring and automation continue, and as the M&A and IPO markets begin to show tentative signs of life after a long drought. Of course, everyone asks if AI is a bubble, and some valuations are certainly high, but the productivity gain potentials remain real, the capabilities continue to advance, and the sovereign risks impossible to ignore, so business here amongst those providing real solutions should remain good.

With things thus seemingly in balance, it is possible to remain cautiously optimistic about the short and medium term, yet also to not be surprised if the short-term headlines have an overweight effect one way or the other on a market that has risen in value yet remains somewhat tentative. It is also possible that for this market, as for some of our companies, financial results need to do a bit of catching up to the expectations currently implied in valuations, which could augur some time of more modest returns. Many of our investments have been through times like this before, and as long as the longer-term thesis continues, they have rewarded us over this longer term. Thank you for your continuing confidence.

As always, I would be happy to discuss further with anyone interested.

Thank you,

**George B. McAuliffe III**  
Portfolio Manager  
+1 (212) 698-0807  
gmcauliffe@tocqueville.com

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