



Majestic Oak Financial

A Registered Investment Advisor

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2025 is just flying by and the year is quickly coming to a close! For those of you with college kids or college-bound kids, FAFSA (the necessary federal form for financial aid) opened on 10/1. If you've filed an extension on your tax returns, those are due 10/15. And open windows for employer benefits, changes to Medicare, and the healthcare marketplace start soon. If you need help with any of those items or want to check year-end funding for employer-sponsored retirement plans or IRAs, let's get together about them sooner rather than later.

Also, completely unrelated: For those of you that have been around for a while, I've been writing these cover letter topics for over 20 years. In the current climate, it's difficult to find discussion topics that are not politically charged. If you have any "Hey, here's something related to finances that I've always wanted to know about!" drop me a note.

What is in an Index?

Every quarter, the second section of this newsletter provides information about stock market indexes or benchmarks that have some relevance to the overall performance of the US investment sphere. It's likely that you've heard of these names - Dow Jones, S&P 500, NASDAQ. But do we know what they actually mean? Are they useful? Do they reflect ours or anyone's investment portfolio? Are they worthy of our attention? Let's dig into all the research that the newer of my two assistants (Riley- feel free to say hi to her!) put together.

The most famous of the stock market indexes is the Dow Jones Industrial Average - mostly known as just "the Dow" or the DJIA. The index was created way back in 1896 by Charles Dow (Edward Jones came into the picture later) in his financial bulletin that was the precursor to the Wall Street Journal. The idea was to track the 12 major industrial companies in the US at the time. Think General Electric, American Tobacco, American Sugar, Chicago Oil, National Lead, US Rubber, etc. If those companies were doing well, the US economy was thriving as well. (Realize though that less than 5% of the American public invested in the stock market at that time and that number remained very low all the way up through the 1950's. It's only recently that the general public invests and still only about 58% of American adults invest today.) Over time, the 12 grew to a group of 30 and membership has evolved with the "movers and shakers" of the US economy. No members of the original 12 are still in the current index though I imagine if we did some "corporate genealogy" we'd find them in some merger/acquisition/buyout form or another. The current 30 include names we know today like Amazon, 3M, Disney, IBM, JPMorgan Chase, Verizon, Walmart, Visa, McDonalds, Home Depot, etc. The Dow is often thought of as a gauge of the US economy and as such is one of the most-watched stock market indexes in the world. But the Dow only includes 30 well-established companies with consistent earnings and a history of stability. Given the fact that in the US, there are almost 4,700 companies for which you could buy stock of all shapes and sizes, it may not truly be reflective of the US economy - especially as we're consistently told that small business is the backbone of America. So why do we pay attention to it? From the chart below, you can see that the value of the Dow as of 9/30/25 was 46,397.89. It is not rare for it to have swings of 500 points or more. No one really knows what it means but big numbers sell headlines and so it remains.

If we open up the field a bit more, we find the next well-known gauge of the US economic health - the Standard & Poor 500 - or more commonly known as the S&P 500. It was created in 1957 by Henry Varnum Poor and the Standard Statistics Bureau to track the values of the largest 500 US publicly-traded corporations -

so still, the big guys. You might not recognize all of the names but they definitely touch our lives. Again, the idea is that these 500 companies represent most of the US economy and given that it is broader than the Dow, the S&P 500 is considered more reflective of the US economy as a whole. Membership in the 500 is based upon criteria that includes market capitalization which equals the number of shares you have "out there" trading in the world multiplied by the share price. The index is reviewed quarterly and changes happen due to mergers, bankruptcies, etc. On average, 20 companies swap in and out of the index annually. Even though the broadness of its membership is more relevant, its number value is small and more difficult to sensationalize. As of 9/30/25, the closing value of the S&P 500 was 6,688.46 and its normal daily swings are in the ballpark of 30 points. Even in the darkest COVID market days, the S&P 500 lost 324 points. The Dow dropped 2,997 points (which is pretty much the same percentage) on the same day. Since the S&P 500 numbers aren't as exciting and percentages don't sell newspapers, its performance is a footnote.

So, the Dow follows 30 companies, the S&P 500 follows 500 companies. What about the other 4,200-ish publicly traded US companies? Aren't they important too? Yes, I'd argue they are. In 1984, Frank Russell launched the Russell 2000 index to track the performance of 2,000 small publicly traded US companies. The Russell 1000 tracks the largest 1,000 US publicly traded companies. The Russell 2000 tracks the next 2,000 companies in size. These are the mid- and small-cap companies in the US economy. Not as small as mom-and-pop shops but not multinational conglomerates either. The remaining 1,700-ish micro-sized but still publicly traded companies would be covered by the Russell micro-cap index.

So if we have indexes that cover the big US companies, what's the NASDAQ for? If we go back to the really old days before sliced bread, stocks were bought and sold on the trading floor of actual places called exchanges. The New York Stock Exchange - NYSE, the Chicago Board of Exchange - CBOE and so forth - those were literal places with guys waving about pieces of paper looking for the other side of their customers' trades. The NASDAQ (National Association of Securities Dealers Automated Quotations) was created in 1971 and was completely electronically driven. Computers were here to match buyers and sellers at lightning speed without any physical location. So the NASDAQ was first and foremost a global electronic marketplace. The earliest companies to start trading on the NASDAQ were Intel and Applied Materials. Because they were technology-friendly, tech companies like Apple Computer chose to offer their shares when they went public in 1980 on the NASDAQ exchange instead of the NYSE. Once the electronic marketplace was here to stay, an index was created. The full index is now composed of some 2,500 companies - well over half of which are in the technology and telecommunications sectors. The NASDAQ 100, much like the Dow and S&P 500 indexes, tracks the largest 100 companies on the NASDAQ.

If you want to see the WHOLE US picture, indexes such as the Russell 3000, the Dow Jones US Total Stock Market Index, and the FT Wilshire 5000 track 95-100% of the US equities market. You can drown in data if you want to.

Aren't there companies outside of the US? Heck yes! Lots of them. Most developed countries have their own stock exchange and if you listen to the in-depth financial news, you'll usually hear something about the FTSE - lovingly pronounced "footsie". That's been around since 1984 and tracks prices of the companies that trade on the London Stock Exchange. Generally, these will be large multi-national corporations outside of the US, but not necessarily in the UK alone. Like the US indexes, there's a FTSE 100, FTSE 250, FTSE small cap. Really, really dig and you'll hear about the Nikkei (Tokyo), Hang-Seng (Hong Kong), CAC (France), the DAX (Germany), among others.

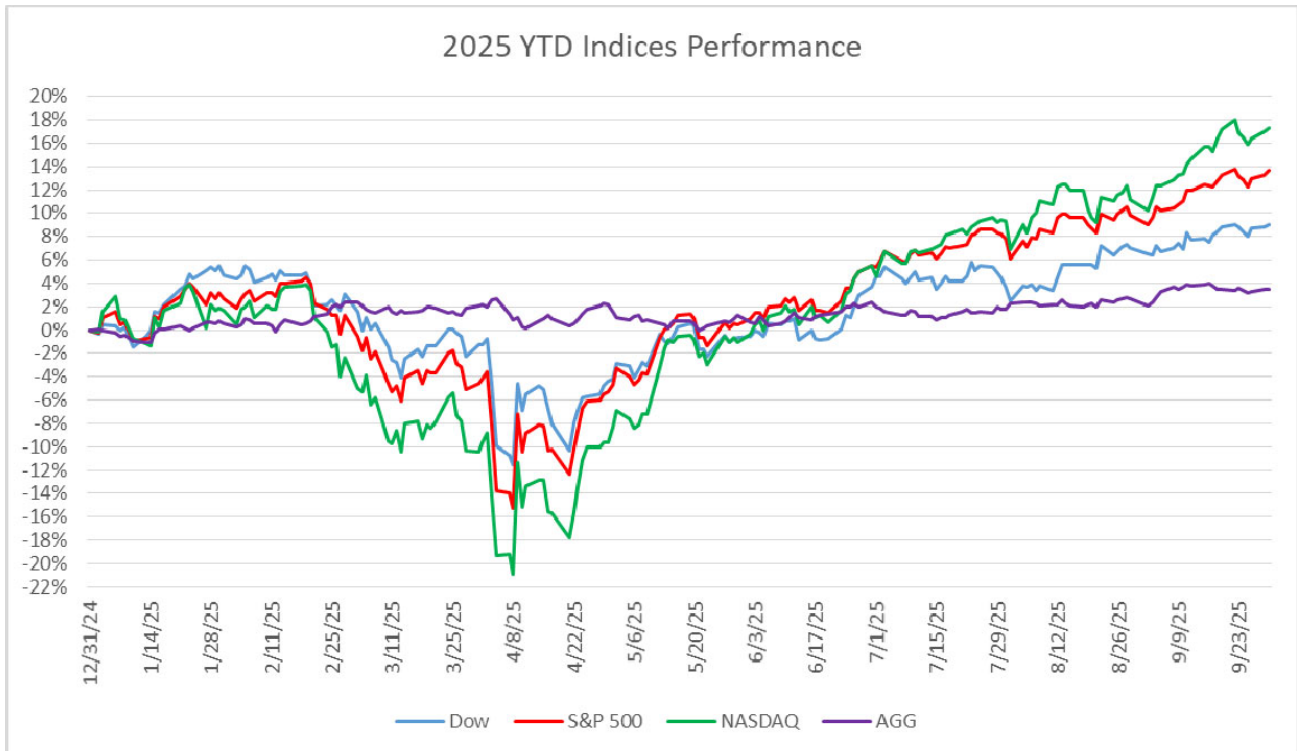
Wait! There's one more that we cannot ignore. We've covered the stock-portion of the investment world. Another big player is the bond/fixed income world. These are the loans made to the US government, foreign governments, and corporations all over the world. As far as Riley and I have been able to tell, there's no one bond index to follow them all. The most widely-known is Bloomberg US Aggregate Bond Index, created in 1986 and known as "the Agg" that broadly tracks the health of the US bond market. And even in that endeavor it falls short because it does not include high-yield bonds. Remember, high yield bonds are loans made to corporations or states/municipalities that have a low credit score - maybe because they are a start-up

corporation or they've hit a financial rough patch. If our economy goes into a downturn, some entities might have their credit worthiness downgraded and those borrowings fall off the index. In my opinion, the creditworthiness of companies and government entities during a downturn is one of the most telling signs of the health of an economy. But we work with what we have and the market performance charts use the Lehman Aggregate Bond fund which exactly tracks the Agg.

All of these markets and more make up a diversified portfolio. The deluge of investment information can be overwhelming and to develop a benchmark to compare each individual's investment portfolio would be impossible. So we go with what's available and what's approximately useful when looking at the health of our economy and those around the world. When it comes to our own investment performance, what's really important is not how we compare to an arbitrary benchmark index but rather how we are coming along in reaching our personal goals.

3rd Quarter 2025 Market Performance*

Index	09/30/2025 Ending Value	3Q 2025 Performance	Year to Date 2025 Performance
Dow Jones	46,397.89	5.22%	9.06%
S&P 500	6,688.46	7.79%	13.72%
NASDAQ	22,660.01	11.24%	17.34%
Lehman Aggregate Bond	100.25	1.06%	3.46%



Your Individual Investment Reports

The following reports for 3rd Quarter 2025 are provided for your review:

- **3rd Quarter 2025 Portfolio Performance** – Compares the 3rd Quarter and Year-to-Date 2025 performances of the S&P 500 & Lehman Aggregate Bond Index with your portfolio performance
- **Year-to-Date 2025 Portfolio Performance vs. Inflation** – Performance of your investment portfolio compared to the rate of inflation as measured by the Consumer Price Index (CPI) for both the since inception period of your accounts and year-to-date 2025
- **Account Summary** – Current market value of each asset within your accounts as of 09/30/2025
- **Investment Billing Statement** for the 4th Quarter 2025**: Investment advisory fees for the period of 10/01/2025 through 12/31/2025 (based on 09/30/2025 values). *This is an informational billing only.* Your account is automatically debited unless other arrangements have been made.

Please remember that this investment reporting is for informational purposes only. You should also refer to the monthly account statements you receive from Charles Schwab & Co., Inc..

As always, please do not hesitate to contact me if you have any questions about your reports or wish to discuss any other financial matters.

Sincerely,



Anna M. Popke, CFP®, RICP®

*Index performance is provided as a benchmark only. The performance of your individual investment portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.

****PLEASE NOTE:** Clients who hold “cash reserves” within their brokerage accounts will have slightly different portfolio balances depicted on the Statement of Assets Summary and the Billing Statement. This is because “cash reserves” are excluded from the advisory fee. However, cash held awaiting investment in the upcoming quarter *will* be subject to the normal quarterly fee.

Investment Advisory Fee Calculations:

Fees are paid in advance on the 7th (or prior closest business day) of the month following the end of the quarter. The amount due is calculated by applying the prorated annual fee percentage to the previous quarter-end account value(s). Fees are further prorated for accounts opened after the beginning of a new quarter. Fees may be paid directly from the investment account(s) or consolidated and paid from a specified account. Money market/cash reserves are excluded from totals. Statements have been prepared by Majestic Oak Financial from information provided by Schwab and while deemed reliable, are not guaranteed.