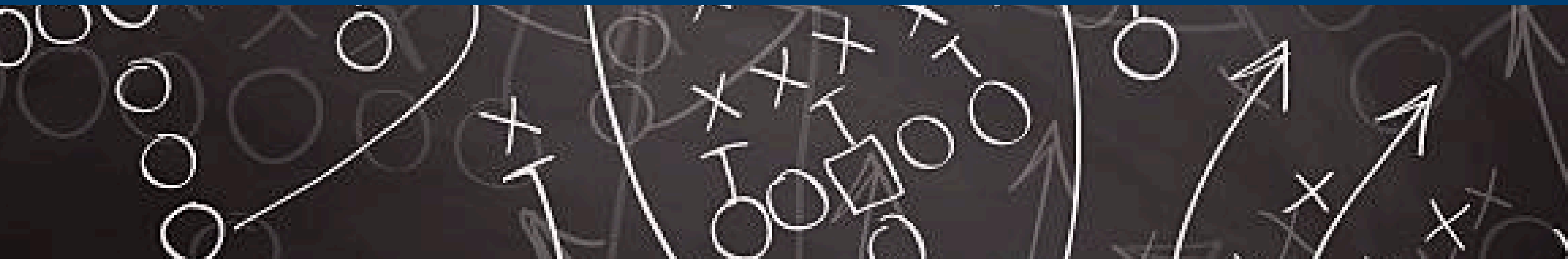
SEPTEMBER NEWSLETTER



CUTTING THROUGH THE NOISE

Playing Offense With Defense

Playing Offense with Defense
This month, we highlight how we look for opportunities to grow capital as safely as possible—*playing offense with defense*. Defensive positions can still yield offensive returns, especially when a company is at a key inflection point following a major restructuring.

Case in point: Johnson & Johnson (JNJ).
JNJ has long been one of the market's "defensive stalwarts." But its recent corporate actions have created a fresh opportunity for investors willing to look past the headlines.

Timeline of the split:

- **Nov 2021:** JNJ announced plans to spin off its consumer health unit (Tylenol, Band-Aid, Listerine, Neutrogena, Zyrtec, Johnson's, etc.)
- **May 2023:** Kenvue (KVUE) began trading via IPO, raising $3.8B
- **Aug 2023:** Final separation through a share exchange; JNJ retained 9.5% of KVUE
- **May 2024:** JNJ sold its remaining stake in KVUE

Why the split:

- JNJ sharpened its focus on higher-margin pharmaceuticals and MedTech (~$77B revenue in 2021 vs. ~$15B for consumer health).
- Kenvue gained the independence to reinvest in marketing, innovation, and brand strength.

(See infographic to the right for a snapshot of the two businesses today.)

Key takeaways we like:

- **Valuation:** Both trade at a 20–30% discount to the S&P 500, partly from lingering "spin-off overhang."
- **Efficiency:** Returns on equity above 20%, signaling disciplined capital allocation.
- **Income:** Dividend yields around 3%. JNJ has raised its dividend for **58 straight years**.
- **Stability at a discount:** Together, the two companies offer resilient earnings, visible cash flows, and reasonable entry points—even if growth is a touch lower than the market overall.

Bottom line: This is how we view flagship companies that may look "boring" at first glance. Under the surface, transitions like JNJ/Kenvue can create overlooked value with a built-in margin of safety—true opportunities to play offense with defense.

That is a wrap for this month. For those with children, have a great back to school season, and let's go Lions!

August 2025 Recap

- **Economic Environment:** GDP was revised up to 3.3% in Q2, showing stronger momentum. Inflation pressures persisted with tariffs filtering through, while unemployment held near 4.1%.

- **Market Performance:** The S&P 500 rose 2.0% to new highs, led by tech. Yields stayed volatile around 4.9%, oil firmed, and gold was flat.

- **Corporate Earnings:** Profits rebounded, with tech and healthcare strong; tariff-sensitive sectors saw margin strain.

- **Global Trends:** U.S. and Europe manufacturing picked up, while services eased. China's stimulus gained traction amid trade and currency risks.

- **Policy Outlook:** Powell signaled a possible September rate cut, though political pressure on the Fed stirred volatility.

- **Looking Ahead:** Markets await confirmation of Fed moves, with inflation and jobs data in focus. Diversification remains key.

August 2025 Returns:
S&P 500 +2.1% || Dow +3.4% || Nasdaq 100 +1.0% || LT Treasuries +0.1%
TBills +0.4% || Aggregate Bonds +1.1% || Developed Int'l +4.5%
Emerging Int'l +2.7% || Commodities -0.1% || Real Estate +2.9% || U.S. Dollar -1.9%

Jake Raska Named a Forbes Top Next-Gen Wealth Advisor!

We’re proud to celebrate an incredible achievement for Jake Raska—he has been recognized by Forbes as one of the Top 10 Best-in-State Next-Gen Wealth Advisors. This honor highlights Jake’s dedication, energy, and commitment to putting clients first. His recognition is not only a testament to his individual talent and hard work, but also a reflection of the high standard we strive to bring to every family we serve. Congratulations, Jake!

Jake was named to this list in August of 2025 using 2024 calendar year data by Forbes. Neither Jake Raska nor Carrera Capital Advisors provided compensation for inclusion in this list.

Year-End Planning: Turning Wealth Into Strategy

As we approach year-end, these are the things we are thinking about:

1. **Gifting & Estate Strategies** – Consider using your annual exclusion gifts ($18,000 per individual in 2025) or consider larger lifetime transfers to reduce taxable estates and advance legacy goals.
2. **Charitable Giving** – Donor-advised funds, appreciated stock donations, or qualified charitable distributions can allow you to maximize impact while minimizing tax liabilities.
3. **Tax-Loss Harvesting** – Even for diversified, high-performing portfolios, selectively realizing losses can offset gains and improve after-tax returns.
4. **Liquidity Planning** – Reassess cash flow needs for early 2026—bonus income, distributions, or liquidity events can create opportunities to reallocate efficiently.

DISCLOSURE - The information presented is for informational purposes only and should not be considered as investment advice nor as a recommendation of any particular strategy, allocation or investment product: before making any investment decision, you should seek expert, professional advice and obtain information regarding the legal, fiscal, regulatory and foreign currency requirements for any investment according to the laws of your home country and place of residence. Past performance does not guarantee future results. Investing involves risk, including the possibility of loss pf principal. Any forward-looking statements or forecasts are based on assumptions and actual results may vary from any statements or forecasts. Information is gathered from sources believed to be reliable, but there is no warranty regarding that information. There is no requirement to update to information presented herein, unless otherwise required by applicable law. The information presented should not be considered as a solicitation for services. See Carrera Capital Advisors' ADV 2A for more information about the firm.

We use total returns that include the dividends and the expenses charged to investors for holding funds that track all corresponding benchmark indexes, so-called "Index Funds". Total returns use dividend-adjusted closing prices from Yahoo Finance as a raw input. Calculations are conducted in the R programming language by Carrera Capital Advisors.

The index returns for the month also utilize index funds that are designed to track an underlying index. Additional disclosures on each fund:

S&P 500 – iShares Core S&P 500 ETF ("IVV")

The Fund seeks to track the investment results of the S&P 500, which measures the performance of the large-capitalization sector of the U.S. equity market, as determined by S&P Dow Jones Indices LLC (the "Index Provider" or "SPDJI").

Dow 30 – SPDR Dow Jones Industrial Average ETF Trust ("DIA")

The Trust seeks to achieve its investment objective by holding a portfolio of the common stocks that are included in the Dow Jones Industrial Average (DJIA), with the weight of each stock in the portfolio substantially corresponding to the weight of such stock in the DJIA.

Aggregate Bonds – iShares Core U.S. Aggregate Bond ETF ("AGG")

The iShares Core U.S. Aggregate Bond ETF (the "Fund") seeks to track the investment results of an index composed of the total U.S. investment-grade bond market.

LT Treasuries – iShares 20+ Year Treasury Bond ETF ("TLT")

The iShares 20+ Year Treasury Bond ETF seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities greater than twenty years.

T-Bills – SPDR Bloomberg 1-3 Month T-Bill ETF (“BIL”)

The SPDR Bloomberg 1-3 Month T-Bill ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of an index that tracks the 1-3 month sector of the United States Treasury Bill market.

Int’l Developed – iShares MSCI EAFE ETF (“EFA”)

The iShares MSCI EAFE ETF (the “Fund”) seeks to track the investment results of an index composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada.

Emerging Markets – iShares MSCI Emerging Markets ETF (“EEM”)

The Fund seeks to track the investment results of the MSCI Emerging Markets Index, which is designed to measure equity market performance in the global emerging markets.

Commodities – iShares S&P Goldman Sachs Commodity Index Trust (“GSG”)

The Trust seek to replicate the performance of the S&P GSCI Excess Return Index (S&P GSCI-ER), together with collateral assets consisting of cash, U.S. Treasury securities or other short-term securities that are eligible as margin deposits for index futures on the S&P GSCI-ER.

REITs – SPDR Dow Jones Global Real Estate ETF (“RWO”)

The SPDR Dow Jones Global Real Estate ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of an index based upon the global real estate market

U.S.D. – Invesco DB US Dollar Bullish Fund (“UUP”)

The Invesco DB US Dollar Index Bullish (Fund) seeks to track changes, whether positive or negative, in the level of the Deutsche Bank Long USD Currency Portfolio Index - Excess ReturnTM (DB Long USD Currency Portfolio Index ER or Index) plus the interest income from the Fund's holdings of primarily US Treasury securities and money market income less the Fund's expenses