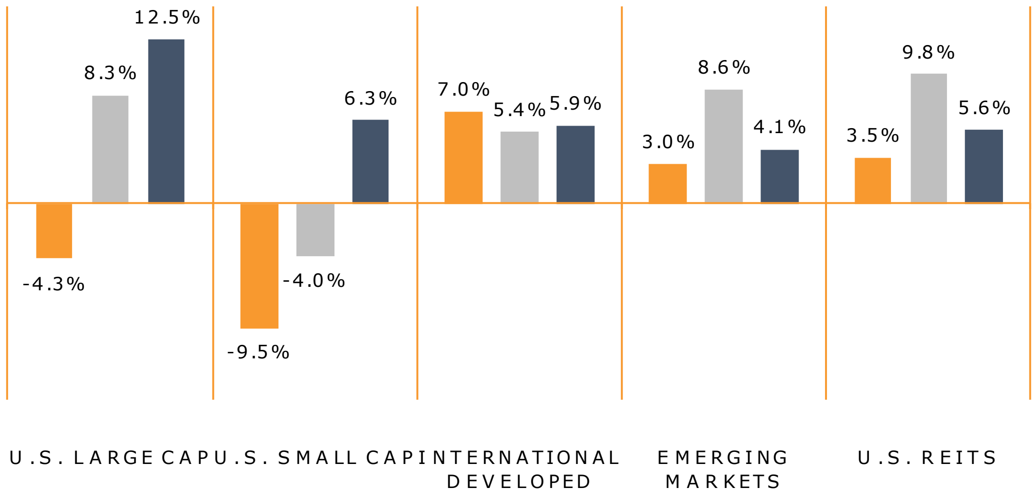
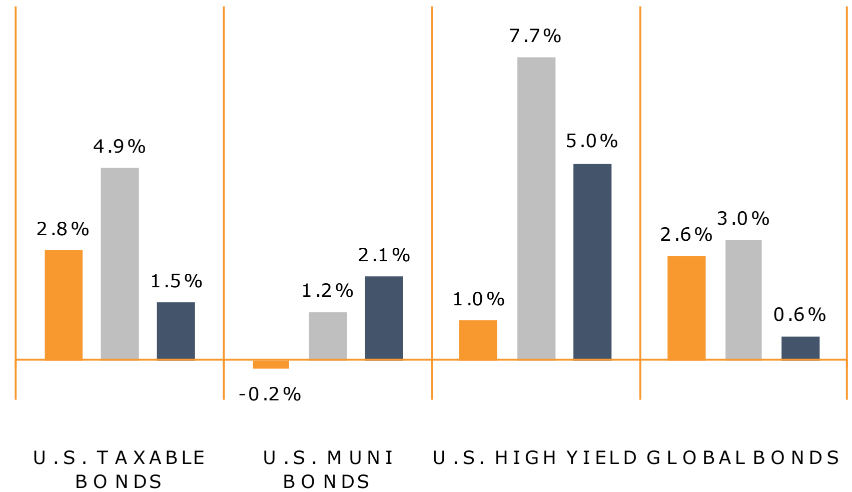
Q1'25 Market Review

■ YTD: 03/31/25 ■ 1 Year ■ 10 Year*

EQUITY MARKETS HIGHLIGHTS



FIXED INCOME MARKETS HIGHLIGHTS



- **U.S. Large Cap Stocks** fell -4.3% in Q1, bringing the one year return down to +8.3%. The post-election rally was wiped away as a post-inauguration policy blitz led to a surge in uncertainty.
  - Initially it seemed 2024's momentum would continue in 2025, but markets would peak in mid-February and sell off into quarter end. Sector and style rotation was prevalent as Growth sold off -10.1% vs. Value +4.5%. Growth's sell-off was led by Tech -11.0%, while Energy and Defensives both rallied.
- **U.S. Small Cap Stocks** remained under pressure down -9.5% for the quarter, now down -4.0% over the past year. Economic concerns continue to weigh on the group as heavily levered balance sheets will have a harder time weathering any weakness.
- **International Developed Stocks** saw a reversal in fortunes and provided leadership for the quarter +7.0%, bringing one year returns up to +5.4%. The US Dollar weakened throughout the quarter reversing lower after the Q4 2024 rally. Flows also saw a reversal in fortunes as foreign investors repatriated cash out of US stocks.
- **Emerging Markets Stocks** also rallied +3.0% in the quarter, returning +8.6% for the past year. China stimulus efforts continued while the weakening dollar provided relief more broadly.
- **U.S. REITS** rallied as well +3.5% in the quarter as Defensives rallied and higher rates appear to be off the table in the near term.

- **U.S. Taxable Bonds** were up +2.8% in Q1 and +4.9% for over the past year. Rates rallied across the mid and longer portions of the curve driving returns in the quarter but most of the one-year return was derived from carry.
- **U.S. Muni Bonds** were weaker in Q1 down -0.2%, up +1.2% for the year. Muni rates did not rally like their Treasury counterparts, with some spread widening pressuring returns as well.
- **U.S. High Yield** credit markets were up +1.0% in Q1, and +7.7% over the past year. Weakening credit conditions and shorter duration finally weighed on returns vs. investment grade.
- **Global Bonds** followed their equity markets +2.6% in Q1, and +3.0% for the one-year period. The weakening U.S. dollar was a tailwind to global bonds and global central bank policy remains accommodative, but areas of concern remain with global trade policy a significant risk.

*Annualized daily returns as of 3/31/2025.

Market conditions and trends will vary. Past performance is no guarantee of future results. Investments cannot be made in an index.

Source: YCharts, Inc.; underlying indices are S&P 500® TR Index, Russell 2000® TR Index, MSCI EAFE TR, MSCI Emerging Markets Index TR, Dow Jones US Real Estate Index TR, Barclays Municipal Bond Index, Barclays U.S. Aggregate Bond Index, Barclays U.S. Corporate High Yield Bond Index and the Barclays Global Aggregate Bond Index.

Q1'25 U.S. Market Snapshot

US Equity Market Snapshot 3/31/25

Sector	3 Month Return
Energy	9.9%
Health Care	6.5%
Utilities	4.9%
Consumer Defensive	4.4%
Real Estate	3.6%
Financials	3.4%
Materials	2.7%
Comm. Services	-0.1%
Industrials	-0.2%
Technology	-11.0%
Consumer Cyclical	-11.8%

Russell Equity Style Snapshot 3/31/25

	Value	Blend	Growth
Large	4.5%	-4.8%	-10.1%
Mid	-2.1%	-3.4%	-7.1%
Small	-7.7%	-9.5%	-11.1%

Market Indicators

Name	As of	Last Month**	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.
Key Interest Rates							
1 Month Treasury	3/31/25	4.38%	4.38%	0.0%	5.49%	-20.2%	Daily
2 Year Treasury	3/31/25	3.89%	3.99%	-2.5%	4.59%	-15.3%	Daily
10 Year Treasury	3/31/25	4.23%	4.24%	-0.2%	4.20%	0.7%	Daily
30 Year Mortgage	3/27/25	6.65%	6.76%	-1.6%	6.87%	-3.2%	Weekly
US Corporate AAA	3/27/25	4.79%	4.69%	2.1%	4.78%	0.2%	Daily
US Corporate BBB	3/28/25	5.36%	5.29%	1.3%	5.54%	-3.2%	Daily
US Corporate CCC	3/28/25	12.82%	11.61%	10.4%	12.87%	-0.4%	Daily
Effective Federal Funds	3/28/25	4.33%	4.33%	0.0%	5.33%	-18.8%	Daily
U.S. Economy							
Consumer Sentiment	3/31/25	57.00	64.70	-11.9%	79.40	-28.2%	Monthly
Unemployment Rate	2/28/25	4.10%	4.10%	0.0%	3.70%	10.8%	Monthly
Inflation Rate	2/28/25	2.82%	2.89%	-2.3%	3.09%	-8.7%	Monthly
Manufacturing PMI	2/28/25	50.30	49.20	2.2%	49.10	2.4%	Monthly
Non Manufacturing PMI	2/28/25	53.50	54.00	-0.9%	53.40	0.2%	Monthly

Source: YCharts, Inc.

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INTEGRATED

Q1'25 Policy Driven Reversal of Fortunes

Early 2025 performance was a continuation of late 2024 through Inauguration Day, with US Large Growth and Momentum providing leadership. After a few weeks of seeming disbelief through mid-February, the new administration's policy blitz led to a major reversal into quarter end. The surprise announcement of tariffs targeting major allied trade partners Canada and Mexico only proved to compound negative sentiment driven by weakening earnings guidance. By quarter end, the entire Trump bump would be erased.

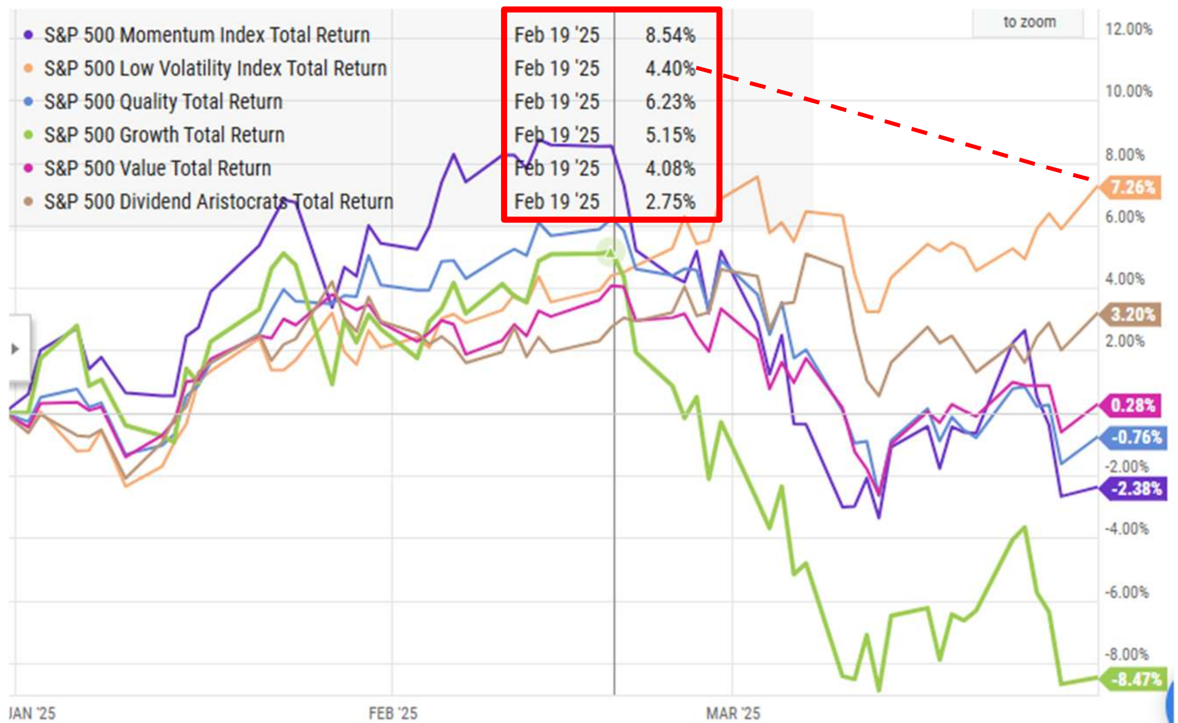
US exceptionalism sentiment may have seen a near-term peak, as international equities finally had their day in the sun. Heating trade tensions caused a crack in prior US-based momentum areas, and those momentum dollars found a new home in trending areas of gold, commodities, and international equities with more modest yet intact uptrends. Foreign investors who had been heavy buyers and owners of US assets seemed to change their tune as well, withdrawing from US holdings for other markets.

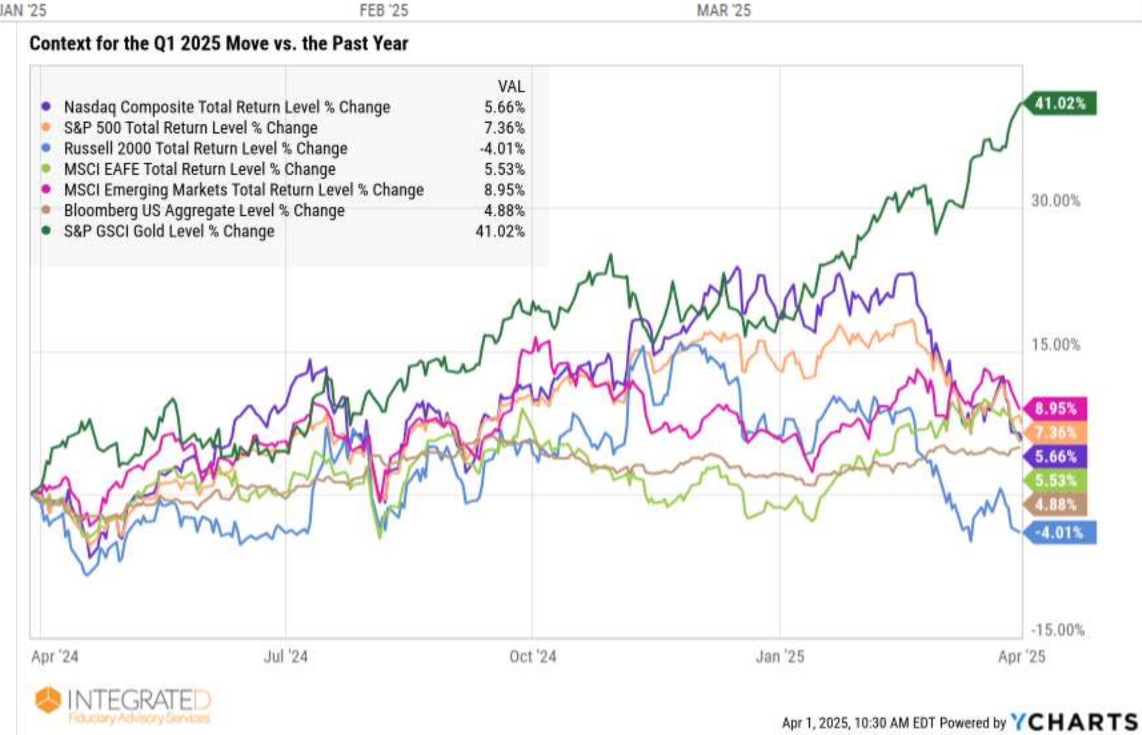
The US Dollar dropped from its overheated state in late 2024, providing incremental tailwinds to ex-US assets and gold. US mid and small sized companies did not fare as well. Blanket US selling, years of underperformance, levered balance sheets in aggregate, and a perception of reduced ability to offset tariff impacts drove selling. The valuation disparity within the US continues to grow as passive impacts loom large.

Economic signals suggest a slowdown is on the way. Some of that is policy driven, but some data suggest the trend was already in place ahead of the policy shifts. The election consumer sentiment boost proved short lived as retail sales and forward guidance dropped throughout Q1. Consumer credit signals remain a major concern.

The potential Fed policy response remains hampered by stubborn inflation and jobs data. Forward signals suggest continued cooling in both areas. The Fed did announce the tapering of its balance sheet runoff, but the data needs to weaken considerably before more robust policy response is appropriate.

The downward reversal in US equities post-tariff policy blitz makes one wonder if it is all too much too soon for a weakening and heavily leveraged economy. That Bull-Bear debate likely will continue through the balance of the year. Trouble brewing on the horizon in credit may make landfall if someone does not blink soon in the Trade War stand-off.





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