

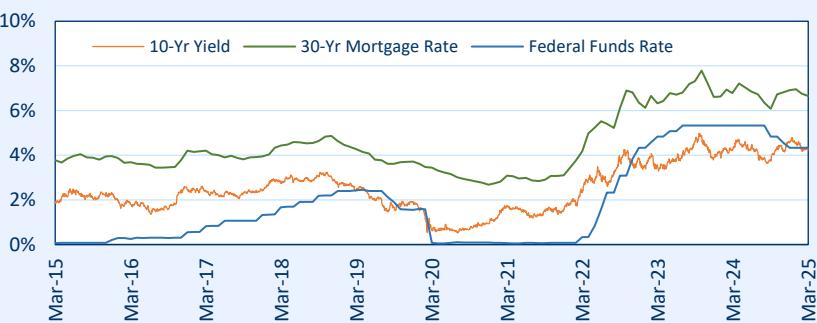
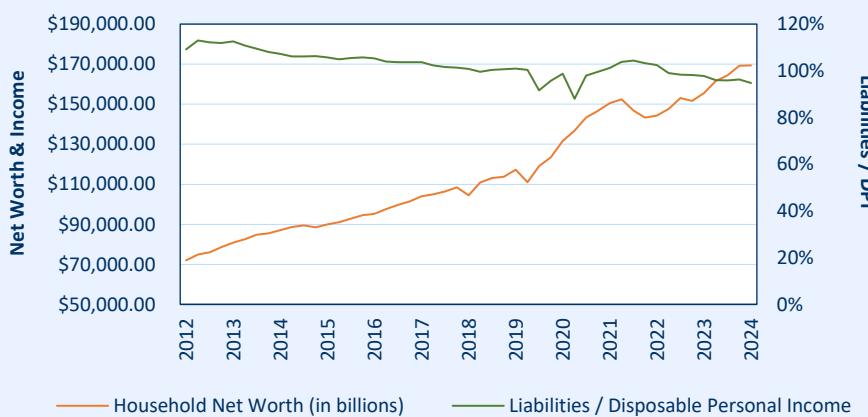
U.S. Economic Conditions

It is a challenging time to write economic commentary given the significant uncertainties currently in the minds of economists and investors. The U.S. economy has been relatively strong in recent years on numerous fronts (wages, unemployment, GDP growth, etc.). However, the resilience the economy has displayed in the face of higher interest rates obviously has its limits, and the latest forecasts for U.S. growth are lower (these projections would be weaker if it were not for continued strength in important areas like labor). The key will be finding favorable resolutions (relatively quickly) to the trade disputes and the current standoff between the administration and the Federal Reserve. If this occurs, the underlying strength of the economy will be less impacted, and any pro-growth developments related to taxes and regulation (whether or not you agree with these initiatives long-term) could result in a stronger finish to the year for the U.S. economy. However, if these disputes drag out, the prolonged fear and uncertainty caused by them may alone be enough to fulfill the prophecy in terms of recessionary fears. Of course, the facts and circumstances could also change - and likely will - which is why any attempt to time these markets with predictive trading may be unwise (as it has proven to be throughout history).

U.S. Gross Domestic Product and Unemployment

Interest Rates and Yields

Date	6/30/2024	9/30/2024	12/31/2024	3/31/2025
10-Year Yield	4.36	3.81	4.58	4.23
30-Year Mortgage Rate	6.86	6.08	6.91	6.65
Federal Funds Rate	5.33	4.83	4.33	4.33


Consumer Finances

Corporate Earnings


U.S. Stock Market

Following back-to-back years of double-digit gains, the U.S. equity market modestly declined in the 1st quarter as measured by the Russell 3000 Index (total market). However, shortly after the close of the quarter, stocks fell sharply with the announcement of wide-scale tariffs on foreign countries. And while the initial reaction from the market was notable as investors digested the potential impacts this could have on the economy and inflation, equities did recover some of these short-term losses just a week later when a 90-day pause to the tariffs was announced. Through March 31st, smaller-cap stocks underperformed their larger-cap counterparts as investors digested recessionary fears (small caps have underperformed for several years). However, in a reversal of recent periods, value stocks have outperformed growth stocks by a significant margin - *see the charts below*. From a sector standpoint, more defensive sectors have held up better during this recent period of heightened volatility (unsurprising), while more economically sensitive sectors like Technology have fared worse (higher valuations entering the year for Tech stocks was also a key driver). *At a time when uncertainty is elevated and valuations remain tight, it is important to recognize that we live in a world of overreaction (both positive and negative), which is a key reason investors should avoid making decisions based on short-term return patterns or expected shifts in the economy.*

Market Segment	YTD	1-Year	3-Year	5-Year	10-Year
Russell 3000	Broad Indices	-4.7%	7.2%	8.2%	18.2%
S&P 500		-4.3%	8.3%	9.1%	18.6%
Russell 2000		-9.5%	-4.0%	0.5%	13.3%
Large Growth	Category	-8.5%	5.0%	7.8%	17.0%
Large Blend		-3.8%	5.8%	7.8%	17.3%
Large Value		1.5%	6.6%	6.9%	16.5%
Mid Growth		-8.2%	-2.4%	1.7%	12.4%
Mid Blend		-4.5%	-0.1%	4.5%	16.0%
Mid Value		-1.6%	1.5%	4.8%	17.6%
Small Growth		-10.5%	-4.6%	-0.3%	12.0%
Small Blend		-8.0%	-3.5%	2.0%	15.3%
Small Value		-7.2%	-3.5%	2.5%	17.8%



Sector	YTD Return	Trailing Price-to-Earnings Ratio		
		Mar. 31 2025	20-yr Avg	Relative to 20-yr Avg.
S&P 500 Index	-4.3%	26.3	19.0	138%
Basic Materials	2.3%	24.5	18.6	132%
Consumer Cyclical	-12.8%	27.0	20.6	131%
Financial Services	2.5%	17.3	14.3	121%
Real Estate	3.4%	33.3	29.3	113%
Comm. Services	-4.8%	19.6	19.2	102%
Energy	8.8%	15.3	14.9	103%
Industrials	-3.2%	24.3	19.5	125%
Technology	-12.1%	35.2	23.0	153%
Consumer Defensive	3.7%	24.6	20.4	121%
Healthcare	5.4%	29.4	22.1	133%
Utilities	4.3%	21.2	18.3	116%



Foreign Economic Conditions & Stock Markets

Amid geopolitical tensions and the ongoing trade disputes, international equities outperformed the U.S. by a wide margin in the 1st quarter of 2025 - *a stark reversal of what has occurred over most of the last decade*. Economic data overseas showed some positive signs (which supported equity market performance), but foreign central banks have also been boosting their stimulative efforts in anticipation of the impacts that tariffs could have on their economies. An additional factor that has benefited foreign equity market performance thus far in 2025 has been the decline in the U.S. dollar, which had been strong relative to foreign currencies in recent years. With regard to style and market cap results, value and larger-cap stocks have outperformed growth and smaller-cap stocks (this was also the case on the domestic front). In terms of market type, Developed Market stocks outperformed Emerging Market stocks by a wide margin. Moving forward, the outlook overseas remains balanced (pros and cons), but it is becoming increasingly clear that foreign central banks stand ready to support their economies in the short term. *The next few months and quarters will be informative as countries / regions negotiate new trade deals, and the global economy shifts in response.*

Currency Impact on Foreign Investment (made by U.S. investors)



Foreign Stock Performance

Market Segment	YTD	1-Year	3-Year	5-Year	10-Year
MSCI ACWI ex-U.S. IM	4.6%	5.5%	4.0%	11.0%	5.0%
	6.4%	4.6%	5.3%	11.5%	5.4%
	1.7%	6.6%	1.5%	8.8%	3.8%
Broad Indices	2.9%	1.3%	2.7%	9.1%	5.5%
	6.5%	6.1%	5.6%	11.5%	5.2%
	9.6%	9.8%	7.6%	13.8%	5.1%
	0.1%	-0.4%	-1.4%	8.2%	4.6%
	4.0%	3.0%	2.4%	11.6%	5.1%
	6.3%	8.2%	6.4%	15.1%	5.8%
Category	2.9%	1.3%	2.7%	9.1%	5.5%
	6.5%	6.1%	5.6%	11.5%	5.2%
	9.6%	9.8%	7.6%	13.8%	5.1%
	0.1%	-0.4%	-1.4%	8.2%	4.6%
	4.0%	3.0%	2.4%	11.6%	5.1%
	6.3%	8.2%	6.4%	15.1%	5.8%

Global Gross Domestic Product



Foreign vs. U.S. Performance and Allocation

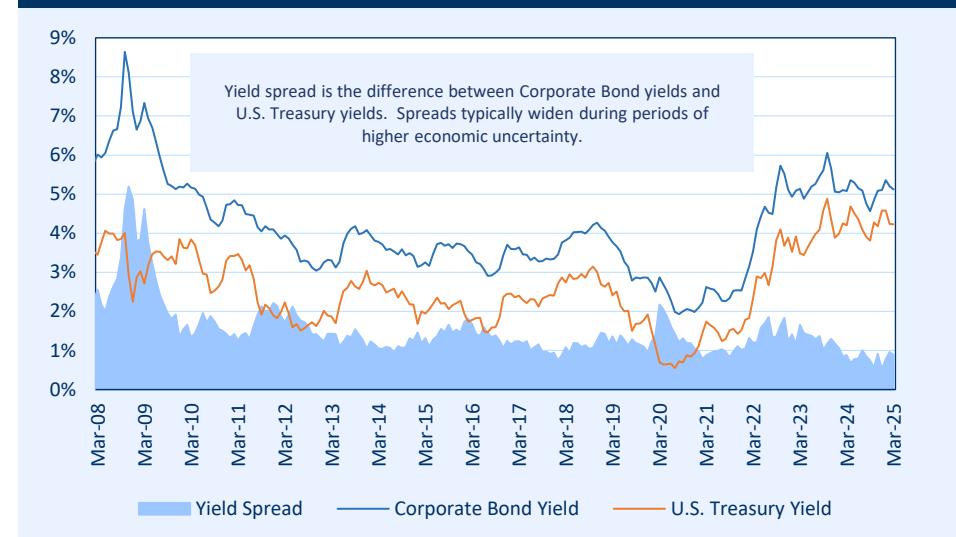
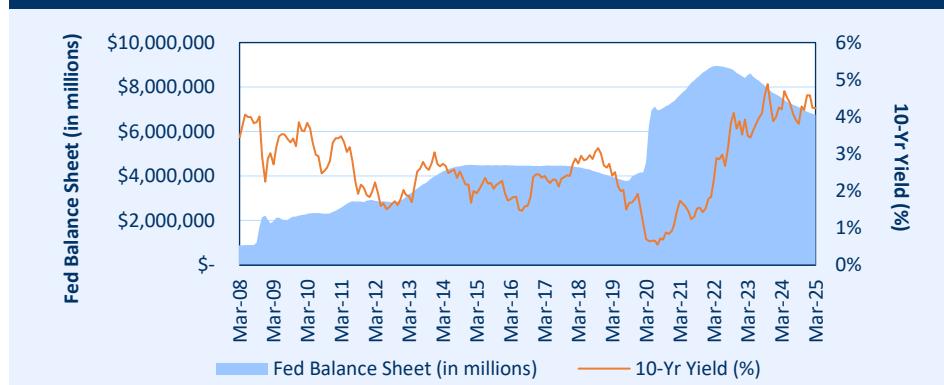


Fixed Income Markets

Bonds were a ballast in the 1st quarter as economic uncertainty escalated and stock volatility ensued (this picture has changed some after the quarter, but overall bond returns remain modestly positive as of the writing of this commentary). Unsurprisingly, interest rate movement has been a key contributor YTD, and the decline in rates for the quarter was a tailwind for bond returns (that has reversed to a degree in the 2nd quarter). From a sector perspective, U.S. Treasuries and Treasury Inflation Protected Securities (TIPS) were among the top-performing bond types as investors preferred the safety of higher-quality Treasuries (common during periods of uncertainty) and TIPS have dually benefited from data suggesting the economy is slowing at a time when inflation could trend back up due to trade disputes. Meanwhile, higher-risk segments of the fixed income market (e.g., Corporate and Emerging Market bonds) have posted more muted results, but yield spreads have not illustrated a concerning level of market reaction in these sectors (even in April). In terms of the Fed, policymakers held rates steady in their last two meetings despite outside pressure from the administration to do otherwise. Up to this point, the economy's resilience has generally supported their "wait-and-see" approach. However, as we move forward, it will be interesting to see if this approach is sustainable given the realities of the situation.

Fixed Income Performance

Sector, Maturity, Region	Avg. Yield	Avg. Maturity	YTD	1-Yr	3-Yr	5-Yr	10-Yr
Agency MBS	4.92%	7.7	2.1%	5.3%	2.1%	0.4%	1.6%
U.S. Treasuries	4.13%	6.7	2.7%	4.7%	0.5%	-1.1%	1.1%
U.S. TIPS	1.62%	7.3	4.2%	6.2%	0.1%	2.4%	2.5%
Municipals	3.85%	13.4	-0.2%	1.2%	1.5%	1.1%	2.1%
Invest. Grade Corporate	5.15%	10.6	2.3%	4.9%	1.1%	1.5%	2.4%
High-Yield Corporate	7.73%	4.7	1.0%	7.7%	5.0%	7.3%	5.0%
Emerging Markets	7.77%	11.7	2.3%	7.4%	3.6%	3.1%	3.2%
Short-Term Bond	4.38%	3.4	1.7%	5.9%	3.4%	2.7%	2.1%
Intermediate-Term Bond	4.47%	8.7	2.6%	5.3%	0.9%	1.0%	1.8%
Long-Term Bond	5.08%	18.7	2.7%	3.0%	-2.4%	-1.1%	1.7%
Foreign Bond	2.97%	8.8	-0.2%	4.2%	2.2%	0.9%	2.2%
U.S. Bond	4.60%	8.4	2.8%	4.9%	0.5%	-0.4%	1.5%

Yield Spreads

Federal Reserve Balance Sheet and 10-Year Treasury Yield

Year-Over-Year Inflation Data and Real Yield


Definitions:

Federal Funds Rate - The interest rate set by the Federal Open Market Committee (FOMC), the governing body of the Federal Reserve Bank, which determines the amount banks charge for overnight lending of their reserve balances to other financial institutions. **Disposable Personal Income (DPI)** - The amount of total discretionary income received by a household net of taxes. **Liabilities / DPI** - The amount of total debt owed by households in relation to their DPI, measured as the aggregate of the entire U.S. population.

Data Sources:
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Gross Domestic Product (GDP): Second quarter 2024 GDP is an advanced estimate from the U.S. Bureau of Economic Analysis. **Unemployment**: U.S. Bureau of Labor Statistics, Unemployment Rate, retrieved from FRED, Federal Reserve Bank of St. Louis. **10-Year Treasury**: U.S. Treasury, Daily Treasury Yield Curve Rates. **30-Year Mortgage Rates**: FreddieMac, Monthly Average Commitment Rate And Points On 30-Year Fixed-Rate Mortgages Since 1971. **Fed Funds Rate**: The effective federal funds rate (EFFR) is calculated as a volume-weighted median of overnight federal funds transactions reported in the FR 2420 Report of Selected Money Market Rates. Data from the Federal Reserve Bank of New York. **Household Net Worth**: Board of Governors of the Federal Reserve System (US), Households and Nonprofit Organizations; Net Worth, Level [TNWBSHNO], retrieved from FRED, Federal Reserve Bank of St. Louis. **Median Household Income**: U.S. Census Bureau, Real Median Household Income in the United States [MEHOINUSA672N], retrieved from FRED, Federal Reserve Bank of St. Louis. **Liabilities / Disposable Personal Income**: Board of Governors of the Federal Reserve, Balance Sheet of Households and Nonprofit Organizations, 1952 - 2024. **Earnings**: Standard & Poor's Global.

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Index Data: Source - Morningstar Direct. Indices listed are as follows: Russell 3000 Index (broad U.S. market), S&P 500 (U.S. large cap), Large Growth (Russell 1000 Growth), Large Blend (Russell 1000), Large Value (Russell 1000 Value), Mid Growth (Russell Mid Cap Growth), Mid Blend (Russell Mid Cap), Mid Value (Russell Mid Cap Value), Small Growth (Russell 2000 Growth), Small Blend (Russell 2000), Small Value (Russell 2000 Value). **Sector Performance Data**: Source - Morningstar Direct. Represents Morningstar sector index performance. **Price to Earnings Data**: P/E ratios are trailing 12-month, sourced from Morningstar Direct. **Factor Performance Data**: Source - Morningstar Direct. U.S. Stock vs. Foreign Stock (Russell 3000 vs. MSCI ACWI ex-U.S. IM Index), Growth vs. Value (Russell 3000 Growth vs. Russell 3000 Value Index), Large Cap Stock vs. Small Cap Stock (S&P 500 vs. Russell 2000 Index), Quality Stock vs. Low Quality Stock (S&P 500 Quality Index vs. S&P 500 Index).

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Gross Domestic Product: Source - imf.org. Gross Domestic Product (GDP) for Developed markets (advanced economies), Emerging markets (emerging and developing economies), and World represent year-over-year economic growth data. **Foreign Stock Performance**: Source - Morningstar Direct. In order from top to bottom, the indices used are as follows: the MSCI ACWI ex-U.S. IM Index (broad foreign market), the MSCI EAFE IM Index (Developed Markets), the MSCI EM IM Index (Emerging Markets), the MSCI ACWI ex-U.S. Large Growth Index, the MSCI ACWI ex-U.S. Large Blend Index, the MSCI ACWI ex-U.S. Large Value Index, the MSCI ACWI ex-U.S. Small/Mid Growth Index, the MSCI ACWI ex-U.S. Small/Mid Blend Index, and the MSCI ACWI ex-U.S. Small/Mid Value Index. **Currency Impact on Returns**: Source - Morningstar Direct. Represents the yearly returns for the MSCI ACWI ex-U.S. Local Currency Index (Local Currency) and the MSCI ACWI ex-U.S. USD Index (U.S. Dollar). The currency data represents the difference between the yearly returns of the MSCI ACWI ex-U.S. Index in U.S. dollars versus Local Currency. **Foreign vs. U.S. Performance and Allocation**: Source - Morningstar Direct. Represents 1) the 10-year rolling return difference between the Russell 3000 Index (domestic) and the MSCI ACWI ex-U.S. IM Index (foreign) and 2) the U.S. historical weight within the MSCI ACWI ex-U.S. Index.

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Fixed Income Performance: Source - Morningstar Direct. Indices/categories listed are as follows: Agency MBS (Bloomberg US MBS Index), U.S. Treasuries (S&P/BGCantor U.S. Treasury Bond Index), U.S. TIPS (Bloomberg U.S. Treasury U.S. TIPS Index), Municipal (Bloomberg Municipal Index), Invest. Grade Corporates (Bloomberg US Corp Bond Index), High-Yield Corporates (Bloomberg High Yield Corporate Index), Emerging Markets (JPM EMBI Global Diversified Index), Short-Term Bond (Morningstar Short-Term Bond Category), Intermediate-Term Bond (Morningstar Intermediate Core-Plus Bond Category), Long-Term Bond (Morningstar Long-Term Bond Category), Foreign Bond (Bloomberg Global Agg ex USD Hedged USD), U.S. Bond (Bloomberg U.S. Aggregate Bond). **Yield Spreads**: Corporate Bond Yield - U.S. Department of the Treasury, 10-Year High Quality Market (HQM) Corporate Bond Par Yield [HQMCB10YRP], retrieved from FRED, Federal Reserve Bank of St. Louis. Treasury Yield / Real Yield - U.S. Treasury, Daily Treasury Yield Curve Rates. **Federal Reserve Balance Sheet Size & 10-Year Treasury Yield**: Fed Balance Sheet - Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level [WALCL], retrieved from FRED, Federal Reserve Bank of St. Louis. **Inflation Data & Real Yield**: Source - inflationdata.com. U.S. Treasury, Daily Treasury Yield Curve Rates. Real yield represents the 10-Year Treasury Bond Yield less the year-over-year change in the Consumer Price Index (CPI).

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