



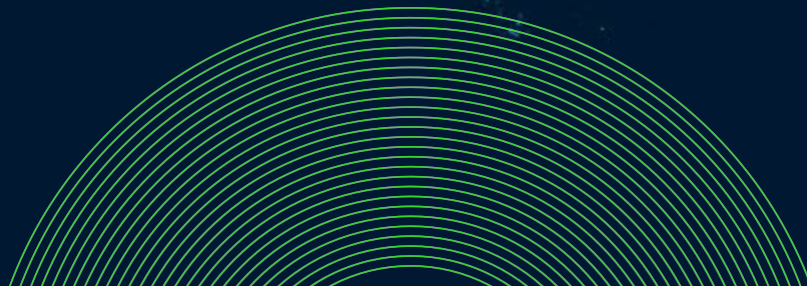
Chart book

As of July 31, 2025

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The background of the entire page is an aerial photograph of a long, straight bridge spanning a deep canyon. The canyon walls are rugged and rocky, with some sparse vegetation. The bridge has a single lane in each direction, and a small car is visible in the distance. The image is tinted with a dark blue color.

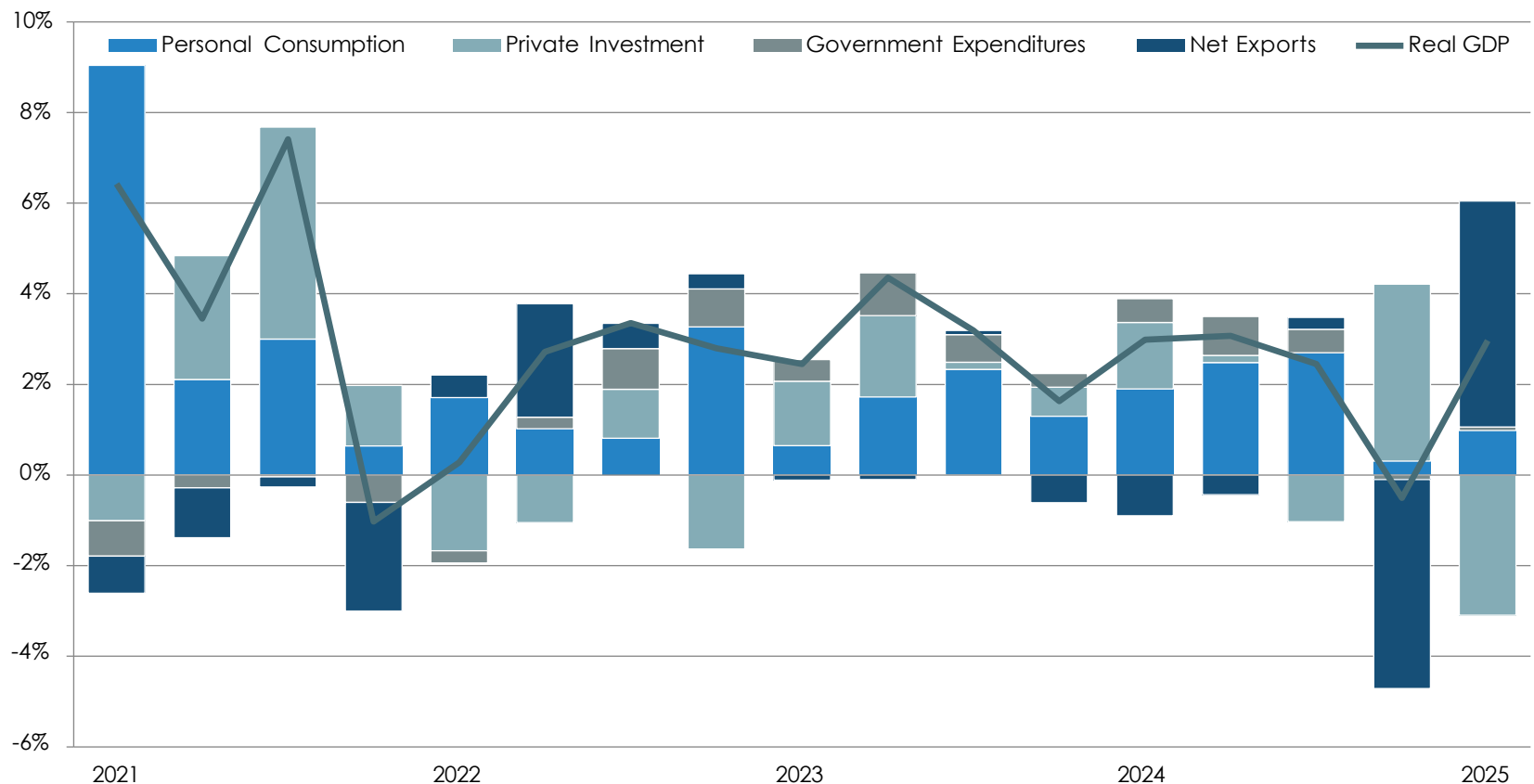
ECONOMIC PERSPECTIVE



The U.S. economy grew at an annualized 3.0% in Q2 - stronger than expected - but most of the rebound came from a drop in imports rather than genuine domestic strength. Underlying demand grew just 1.2%, the slowest in 2.5 years. Personal consumption rose modestly at 1.4%, boosted by pre-tariff vehicle purchases and higher health care and leisure spending, but faces headwinds from tariffs, high interest rates, slowing wage growth, and rising delinquencies - even among higher income households. Business investment cooled sharply, residential investment fell for the second straight quarter, and federal spending declined. Economists expect GDP growth to slow to around 1.5% for 2025, well below 2024's 2.8% pace, as trade policy uncertainty, high borrowing costs, and weaker labor market conditions weigh on the economy.

Economic Growth

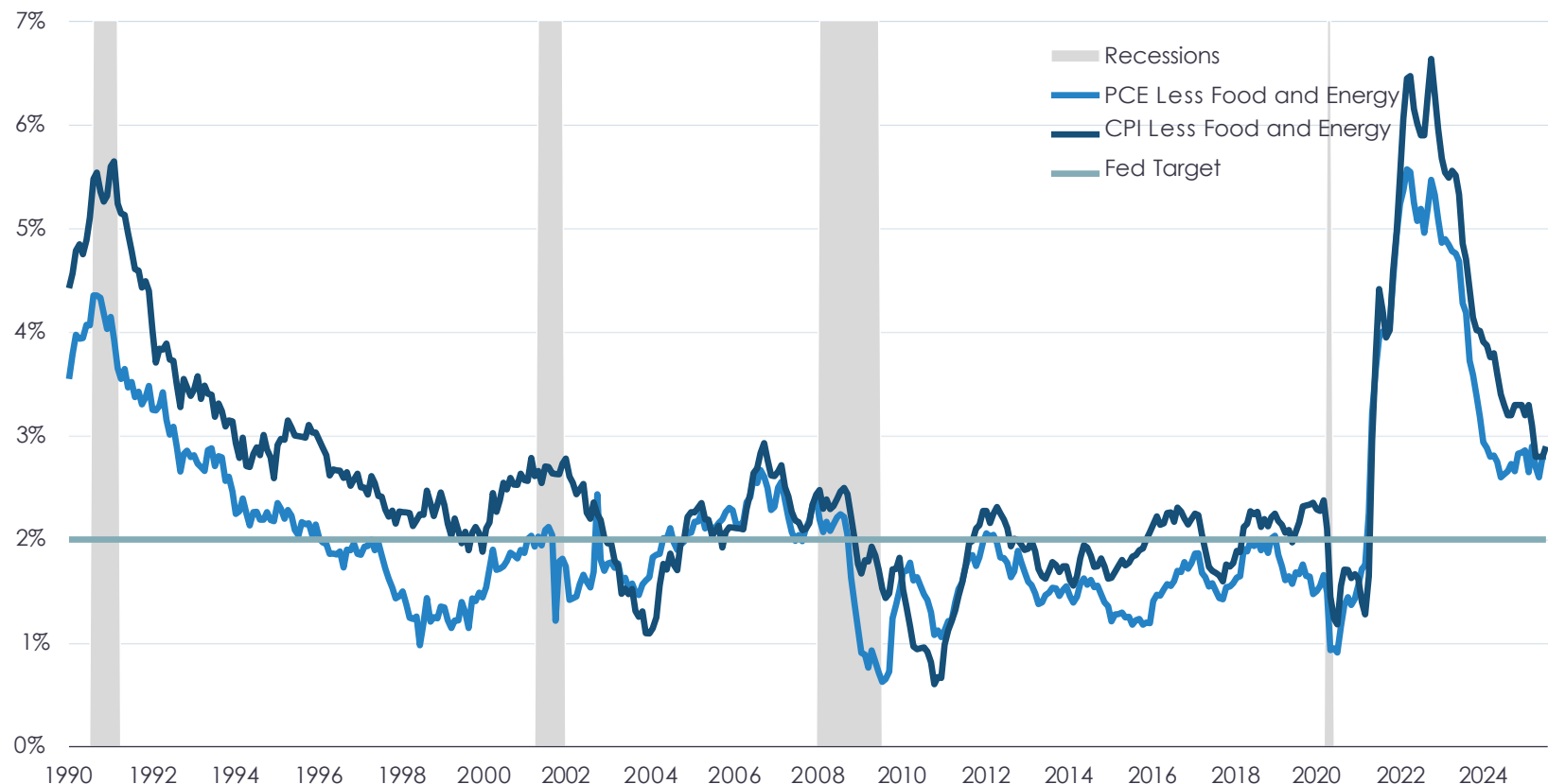
Contributions to Percent Change in Real GDP (Annualized Q/Q % Change)



U.S. consumer prices rose in June, driven largely by higher prices for imported goods as tariffs took effect. Consumer prices increased by a 2.7% annual rate, with notable jumps in furniture, appliances, apparel, and electronics. Core inflation rose 2.9% annually, slightly below forecasts, while the Fed's preferred Core PCE measure rose 2.8%. Economists see tariffs as a key driver, though some impacts may be temporary. The Federal Reserve kept interest rates steady, signaling caution until it can assess whether the inflation bump is lasting. Consumer spending and income growth were modest, and adjusted for inflation, both were nearly flat. Despite Q2 GDP's 3% growth, underlying domestic demand remained weak, raising concerns about economic momentum in the second half of the year.

Inflation Outlook

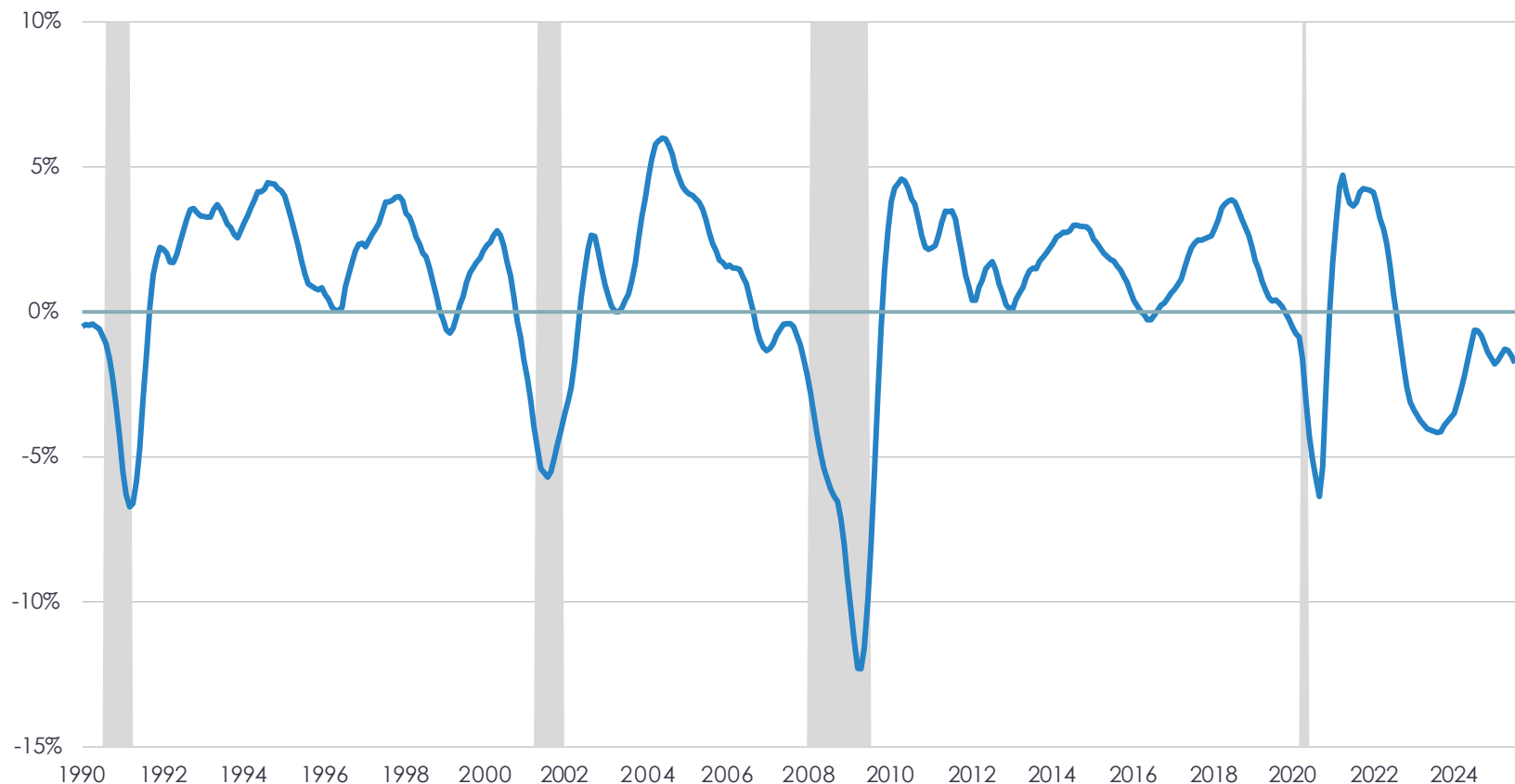
Consumer Price Index (Core) and Personal Consumption Expenditures Price Index (Core) (Y/Y % Change)



According to the Conference Board, the U.S. Leading Economic Index (LEI) fell 0.3% in June 2025 to 98.8, marking a 2.8% drop in the first half of the year—double the pace of late 2024's decline. Gains from rising stock prices were outweighed by weak consumer expectations, soft manufacturing orders, and higher unemployment claims. The LEI's indicators continue to flash a recession signal, though The Conference Board still projects slower - but positive - GDP growth of 1.6% in 2025, with tariffs expected to further dampen consumer spending in the second half. The Coincident Economic Index (CEI) rose 0.3% in June, with all components improving, while the Lagging Index (LAG) was flat but showed positive growth over the past six months.

U.S. Economic Outlook

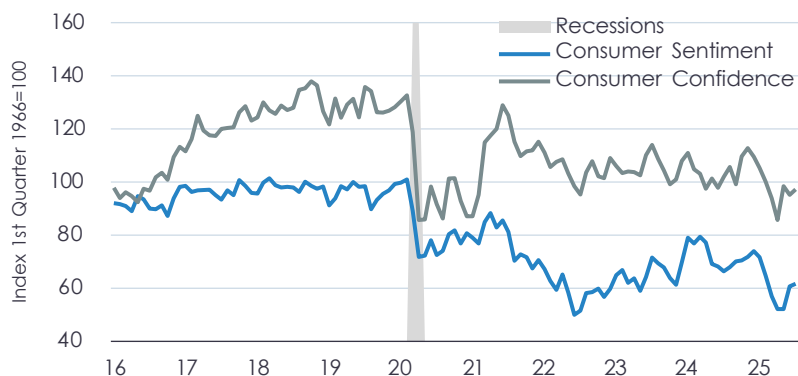
Leading Economic Index (Six-Month Moving Average of the Six-Month Rate of Change)



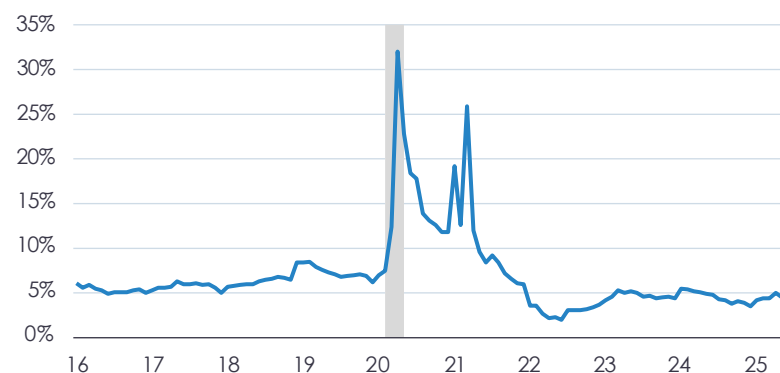
The Conference Board Consumer Confidence Index® rose slightly in July 2025 to 97.2, driven by improved expectations for future business, income, and employment. Although optimism remained below the recession-warning threshold for the sixth straight month. Current conditions slipped due to weaker job availability, with 18.9% saying jobs were hard to get. Gains came mainly from consumers over 35 and across most income groups except the lowest earners. Tariffs and high prices remained top concerns, though inflation expectations eased to 5.8%. Stock market optimism continued to recover, while expectations for rising interest rates declined. Purchasing plans for cars and homes fell, big-ticket item intentions were mixed, and planned spending on services softened. Overall, confidence remains well below 2024 levels.

Consumer Outlook

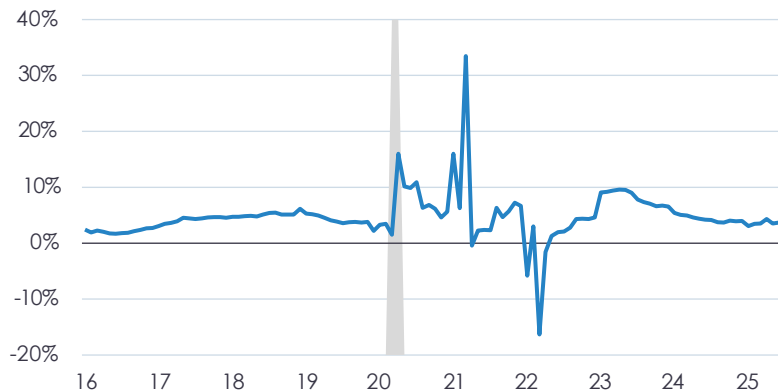
Consumer Sentiment & Confidence Indexes



Personal Saving Rate (Seasonally Adjusted Annual Rate)



Disposable Personal Income (Y/Y % Change)



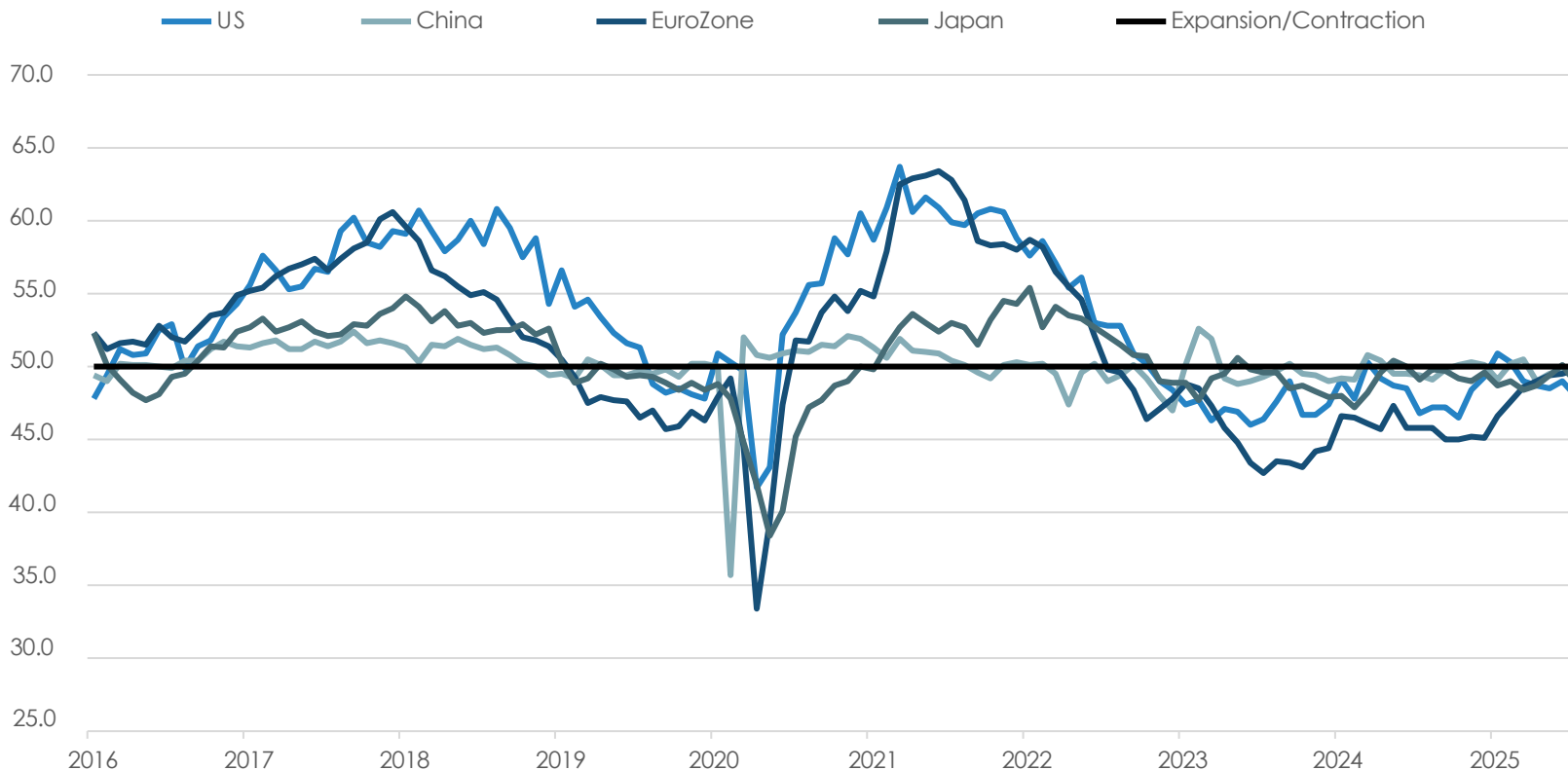
Personal Consumption Expenditures (Y/Y % Change)



Global economic growth accelerated in July 2025, reaching its fastest pace this year, with the J.P. Morgan Global Composite PMI rising to 52.4. Growth was driven mainly by the services sector. However, manufacturing output fell for the second time in three months, with declines across consumer, intermediate, and investment goods. India and the U.S. led output growth, while China, Japan, the Eurozone, and the UK showed mild expansion, and Brazil and Russia faced downturns. New business rose at a strong pace, again driven by services, while manufacturing new orders declined. International trade volumes fell for the fourth consecutive month, with export growth limited to a few countries. Business optimism remained low despite the growth.

Global Economic Outlook

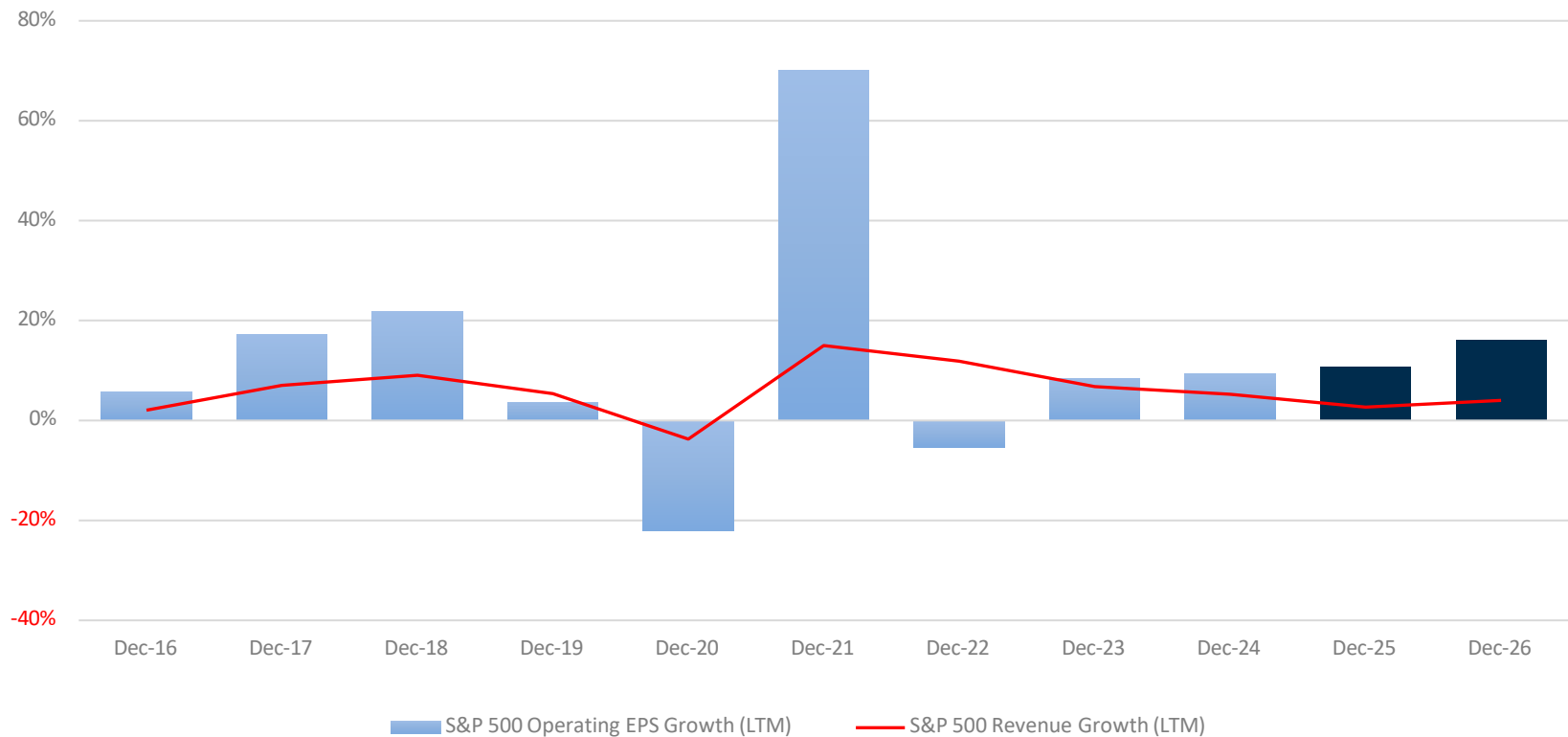
Manufacturing Purchasing Managers Index (PMI) (A PMI over 50 represents growth in manufacturing)



According to FactSet, the bottom-up price target for the S&P 500 over the next 12 months is 6340. At the sector level, the Health Care (+20.4%) and Energy (+18.4%) sectors are expected to see the largest price increases. On the other hand, the Utilities (+6.5%) sector is expected to see the smallest price increase. Overall, there are 12,425 ratings on stocks in the S&P 500. Of these 12,425 ratings, 55.7% are Buy ratings, 39.2% are Hold ratings, and 5.1% are Sell ratings. At the sector level, the Energy (66%), Information Technology (64%), and Communication Services (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (40%) sector has the lowest percentage of Buy ratings.

Corporate Profitability

S&P 500 Operating Earnings Per Share and Revenue Per Share Growth (Y/Y % Change)



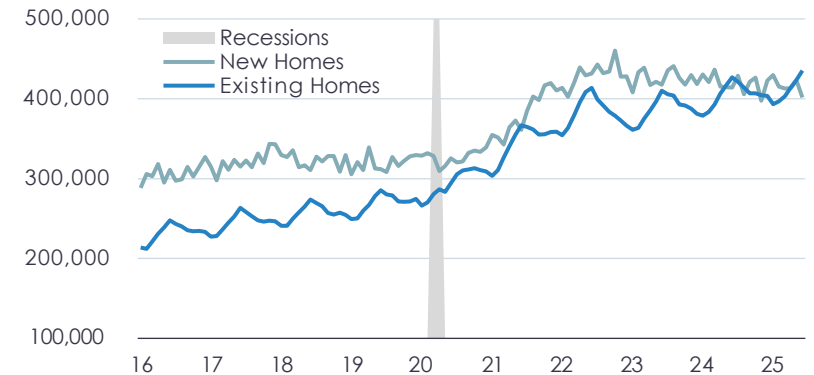
In June, U.S. home prices hit a record high of \$435,300 despite declining sales and buyer hesitancy. Existing home sales dropped -2.7% from May, and about 15% of deals fell through due to affordability challenges driven by high prices and mortgage rates near 7%. Limited housing supply, partly because homeowners with low-rate mortgages aren't selling, and a lack of new construction, have kept prices high. Listings declined 3.2% from May, though inventory is gradually increasing compared to last year. Homes are also staying on the market longer, signaling a slight shift toward a more balanced market favoring buyers after years of tight conditions.

Housing Market Outlook

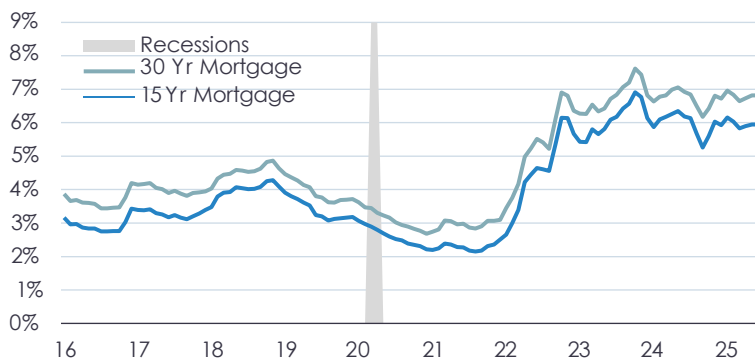
Housing Affordability (higher = more affordable)



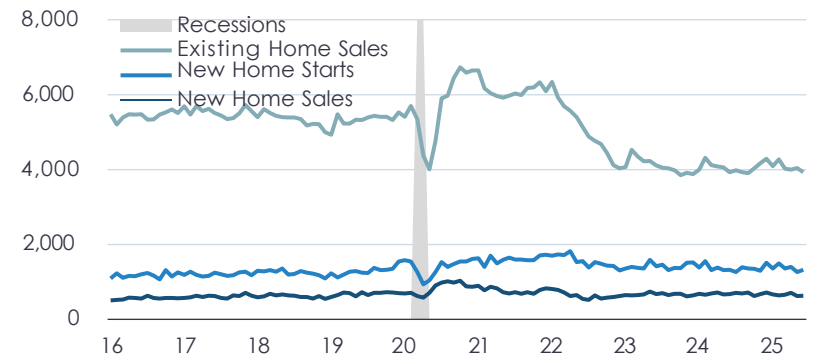
Median Selling Price of New and Existing Homes



Average Fixed Rate Mortgage in the U.S.©



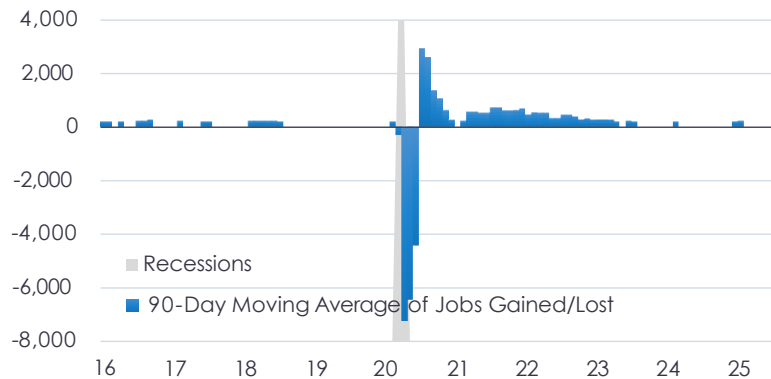
Housing Starts, Existing Home Sales and New Home Sales (000's)



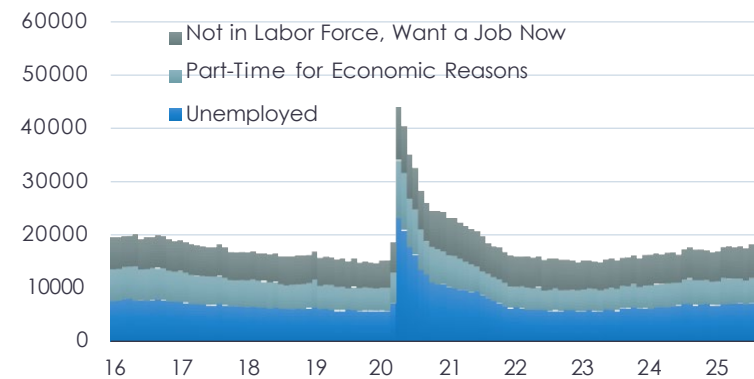
U.S. employment growth in July was weaker than expected, with nonfarm payrolls rising by just 73,000 and prior months' job gains revised down by 258,000, signaling a significant labor market slowdown. The unemployment rate rose to 4.2%, reflecting a dip in household employment. Weak job growth, combined with rising inflation from tariffs, raises the risk of stagflation and increases the likelihood of a Federal Reserve interest rate cut in September. Job gains were mainly in health care, retail, and finance, while manufacturing, professional services, and wholesale trade saw declines. Federal government jobs fell further, with more layoffs expected as the administration pursues spending cuts. Overall, the labor market shows signs of strain amid economic uncertainty and policy shifts.

Labor Market Outlook

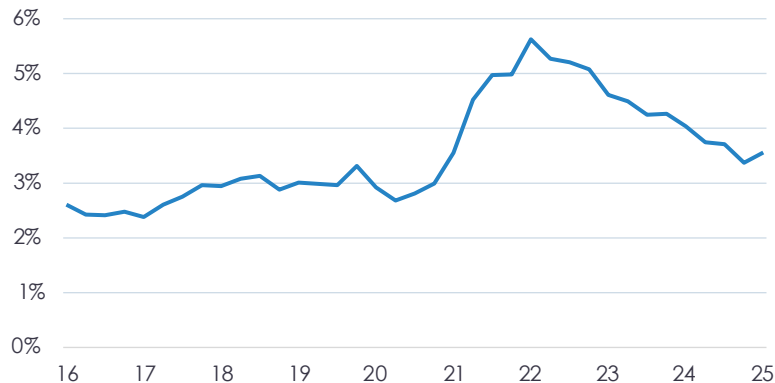
Jobs Gained/Lost (000's) with 12-Month Moving Average



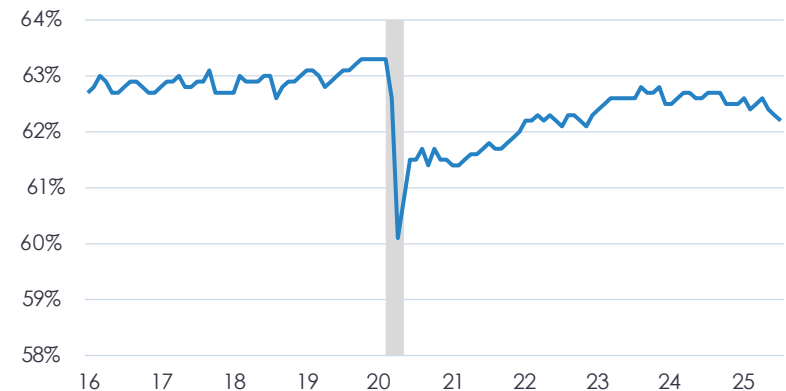
Labor Market Slack (000's)



Wage Growth (Y/Y % Change)

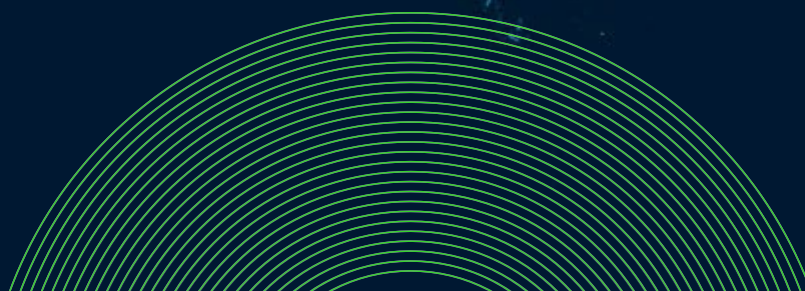


Labor Force Participation Rate



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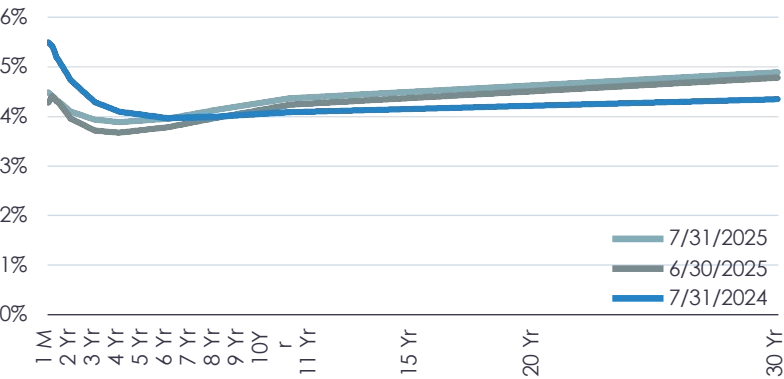
BOND MARKET PERSPECTIVE



Fixed income markets were mixed as the Bloomberg U.S. Aggregate Bond Index slipped -0.3% in July as investors digested mixed signals from the Federal Reserve. The FOMC held rates steady in July amid persistent inflation and uneven market data. It was not a unanimous decision as for the first time since 1993 there were two dissenting votes. Rates moved higher over the course of the month, driven by lingering inflation concerns, deficit expansion and the market's reduced outlook for recession in the near term. High yield bonds fared better, buoyed by a strong earnings season, a favorable economic backdrop and continued investor appetite for yield.

U.S. Treasury Market

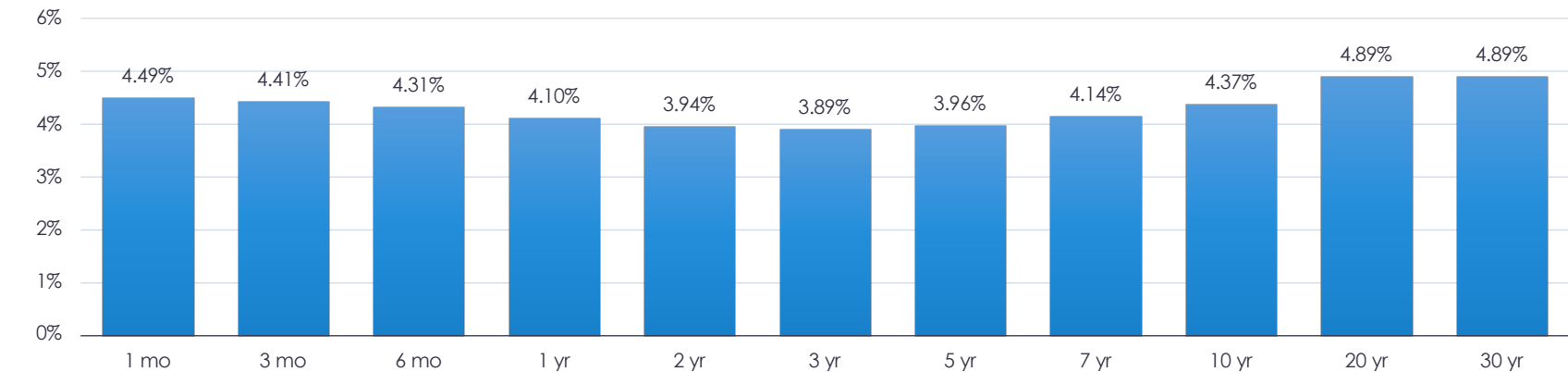
U.S Treasury Yield Curve



Historical U.S. 10-Year Treasury Rate

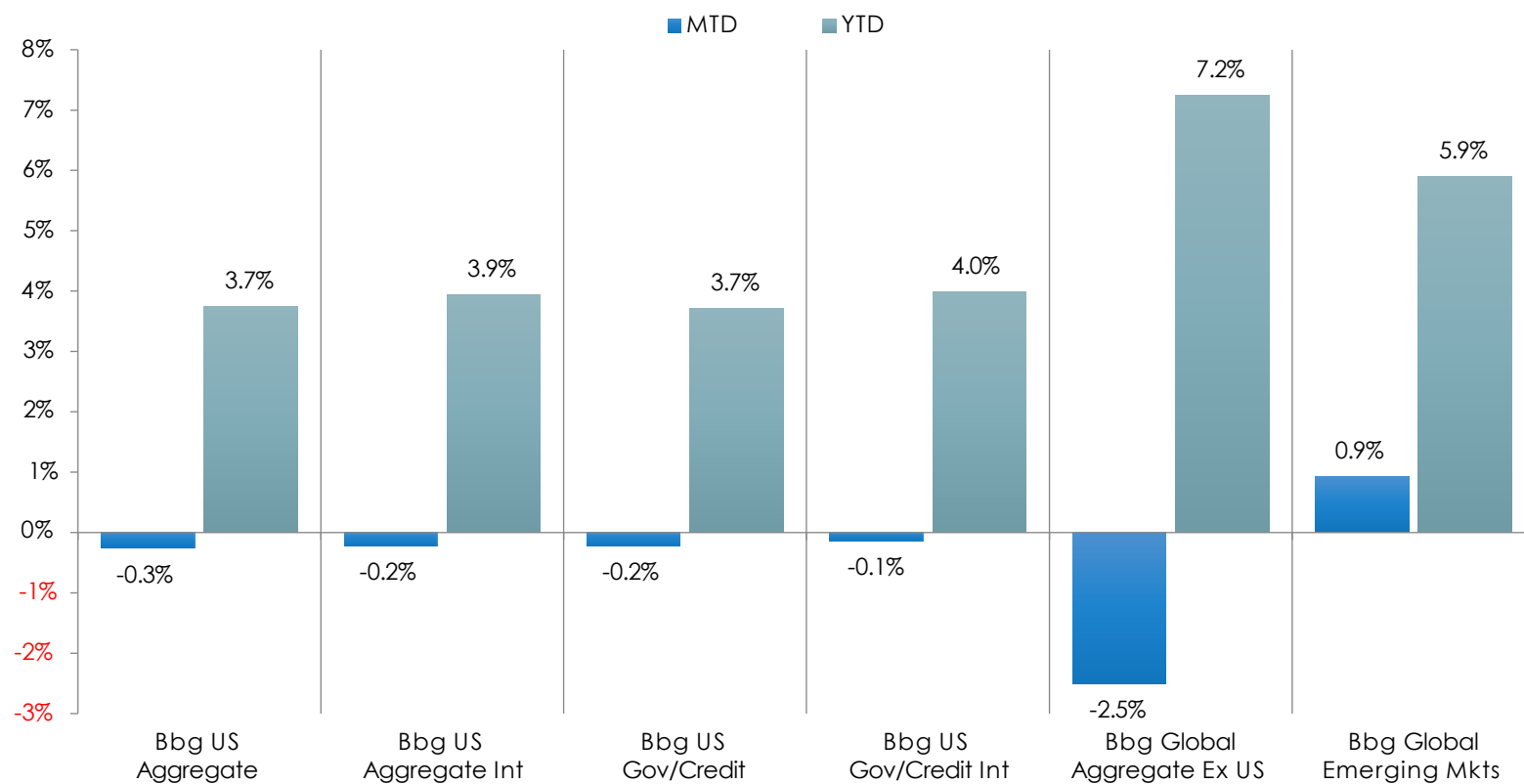


Current U.S. Treasury Yields by Maturity



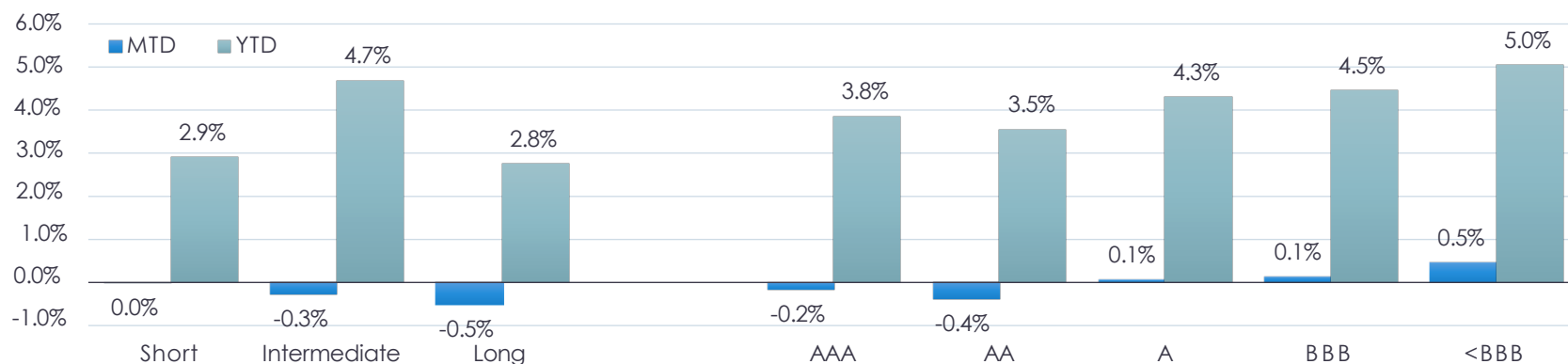
Source: U.S. Department of Treasury

Global Fixed Income Returns by Bellwether Index

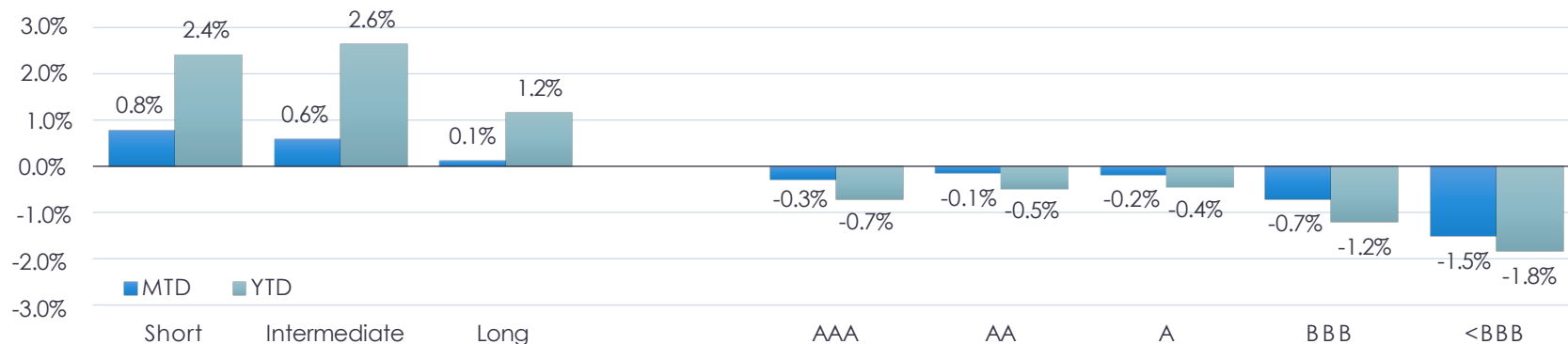


Domestic Fixed Income Returns by Maturity and Credit Quality

Domestic Bond Market - Taxable

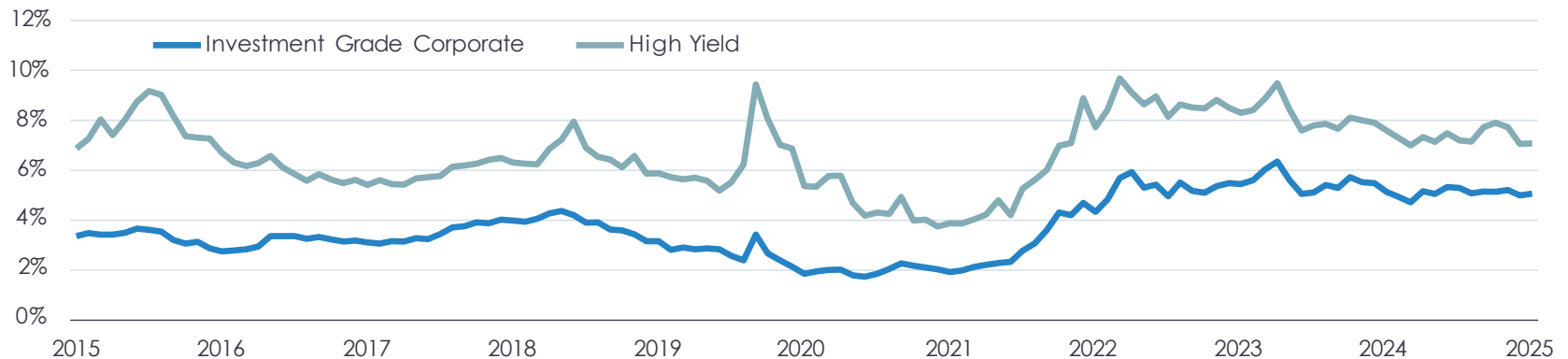


Domestic Bond Market - Municipal

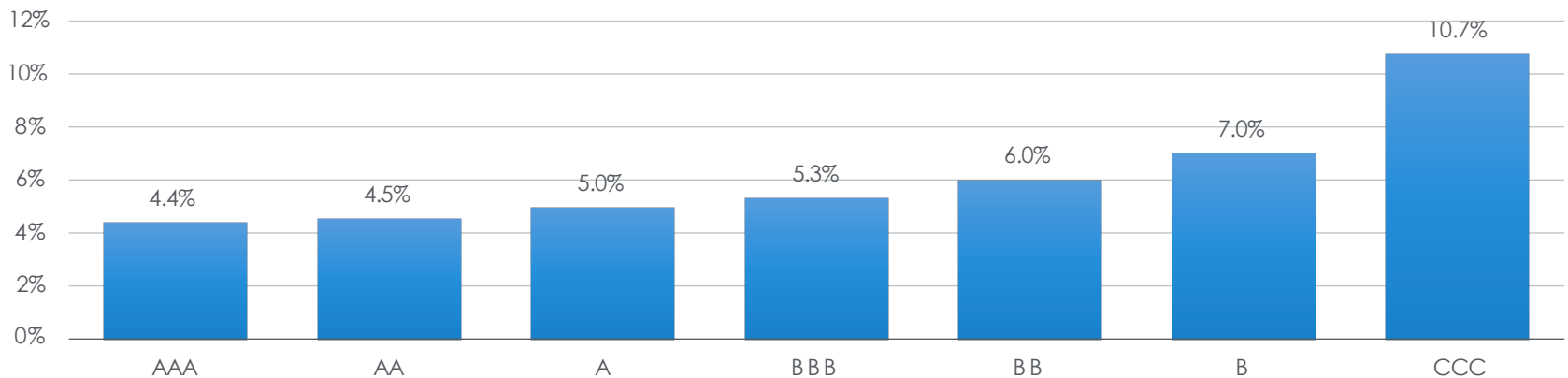


Domestic Fixed Income Bond Yields

Historical Corporate Bond Market Yield to Worst

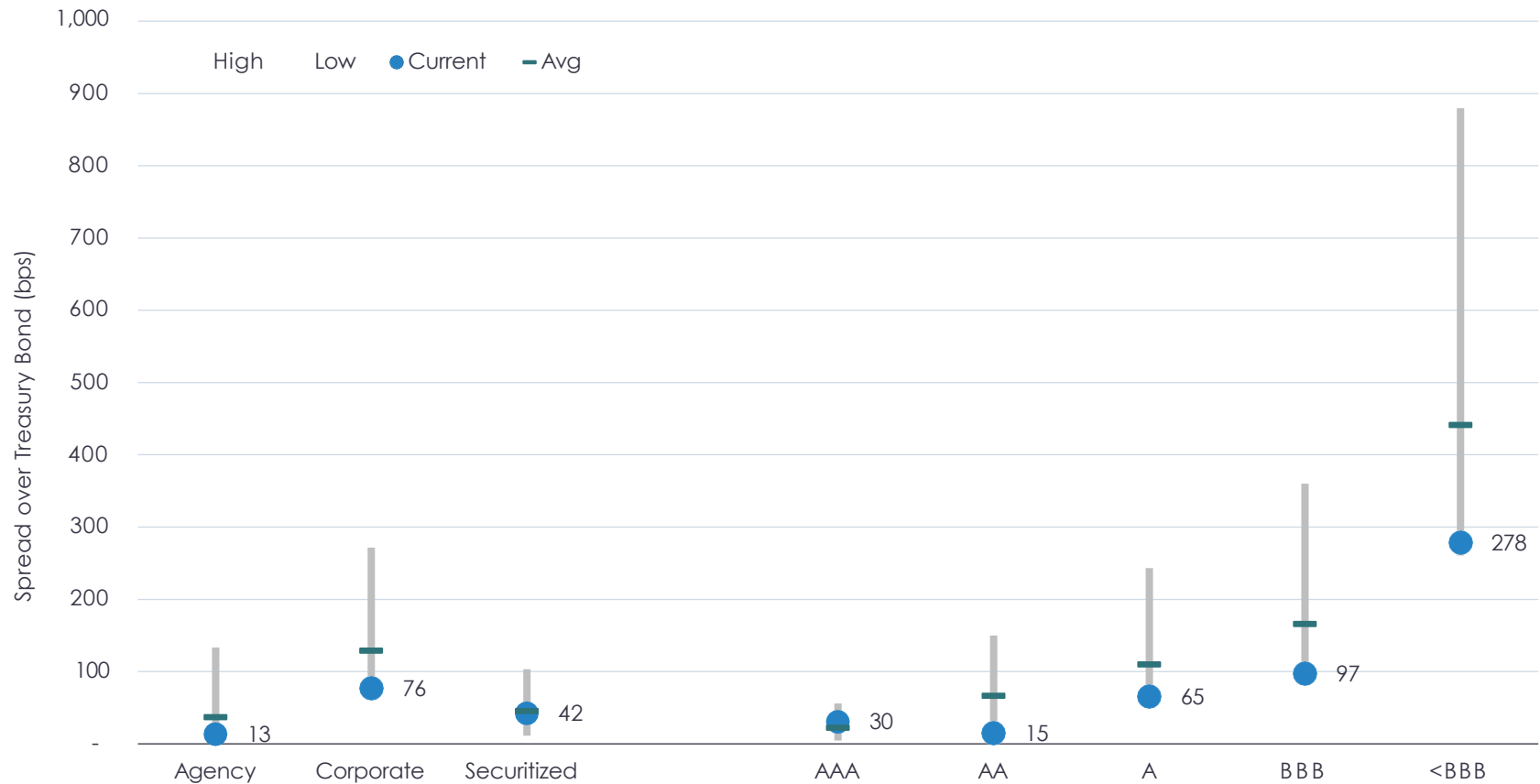


Current Corporate Bond Market Yields by Credit Quality



Domestic Fixed Income Bond Spreads

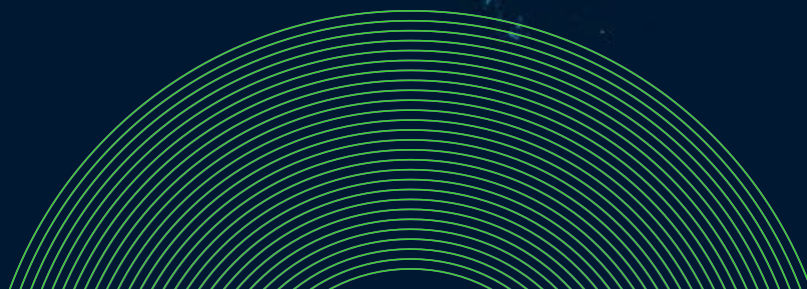
Current Bond Spreads Compared to 15-Year Range and 15-Year Average



The length of each bar represents the Range of the highest and lowest spread to the Treasury benchmark over the past 15 years. Average represents the average spread over the past 15 years. Current represents the most recent month. Source: Bloomberg Barclays

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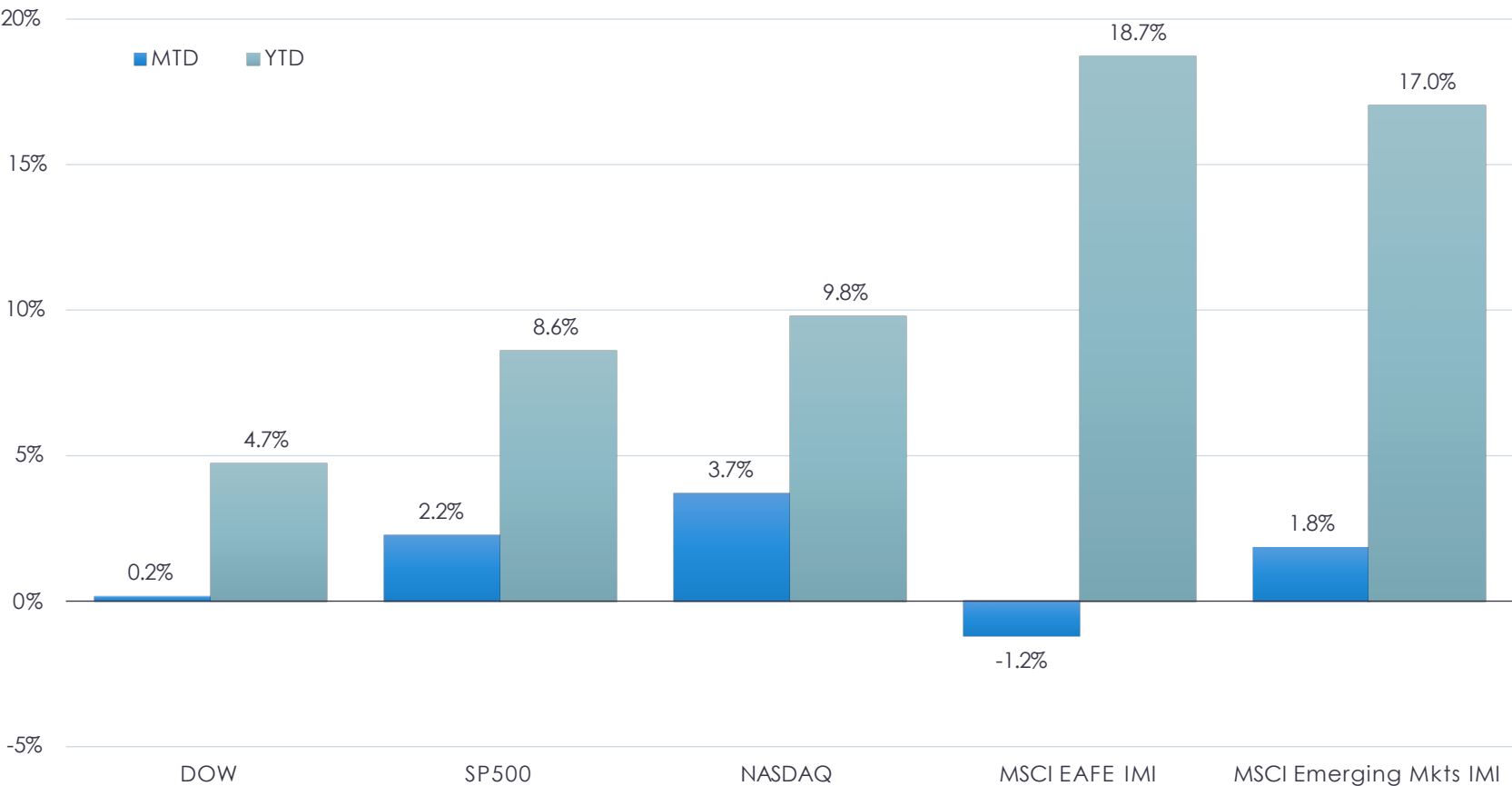
EQUITY MARKET PERSPECTIVE



July brought a mix of resilience and recalibration across global markets. Investors navigated a landscape shaped by ever fluid trade policy, ongoing geopolitical tensions, and a resilient macro backdrop. Equity markets, for the most part, moved higher, buoyed by a strong start to earnings season and better than expected economic data. The S&P 500 Index reached new highs, rising 2.2% to start the second half of the year. Technology and energy sectors were standouts, with the former gaining over 5.2% as AI-driven optimism persisted and the latter benefiting from rising oil prices amidst continued tensions in the Middle East. Small cap equities (Russell 2000 Index) modestly lagged their large-cap counterparts, gaining 1.7% for the month.

Global Equity Returns by Bellwether Index

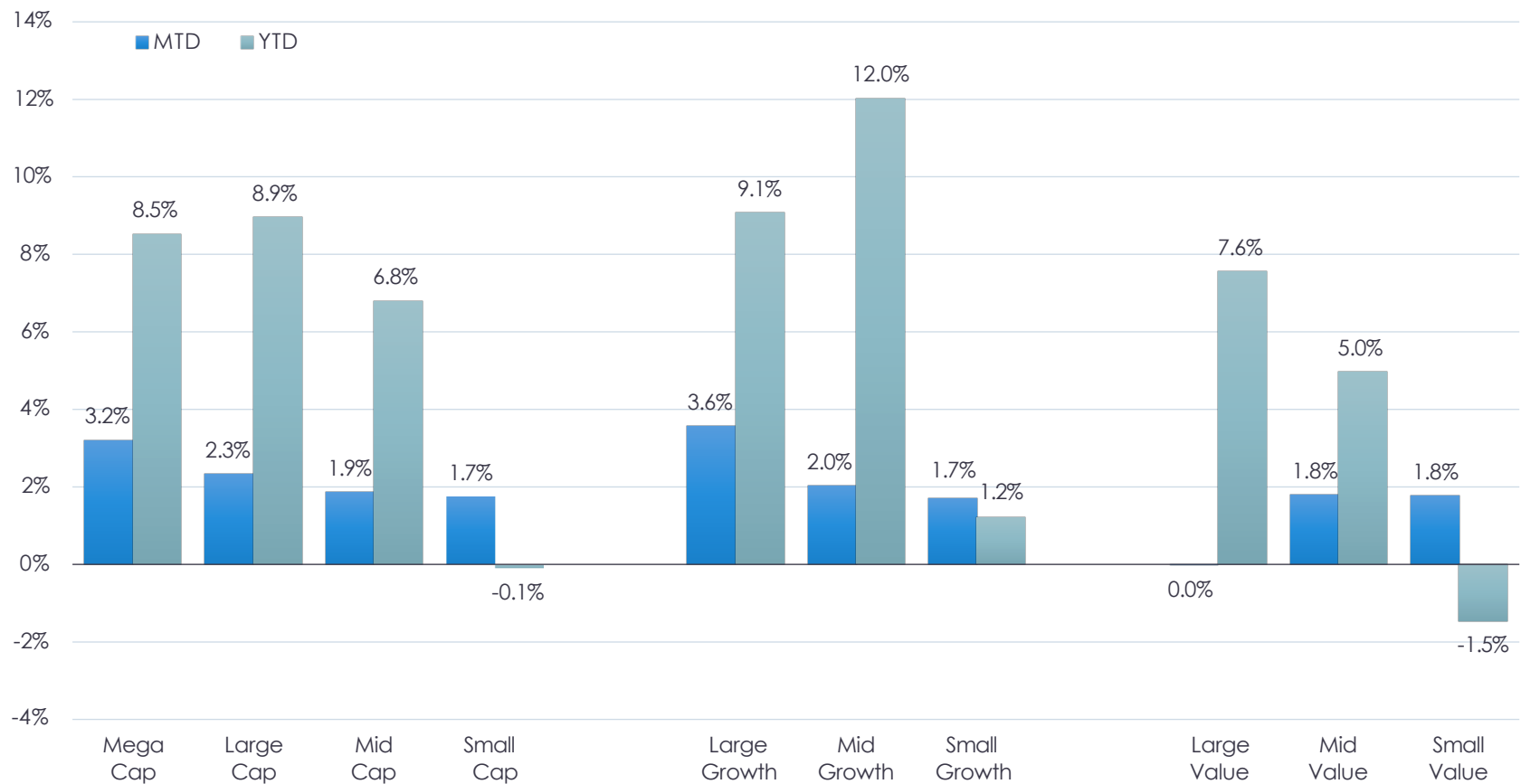
Global Equity Markets



Source: S&P Dow Jones, NASDAQ, MSCI

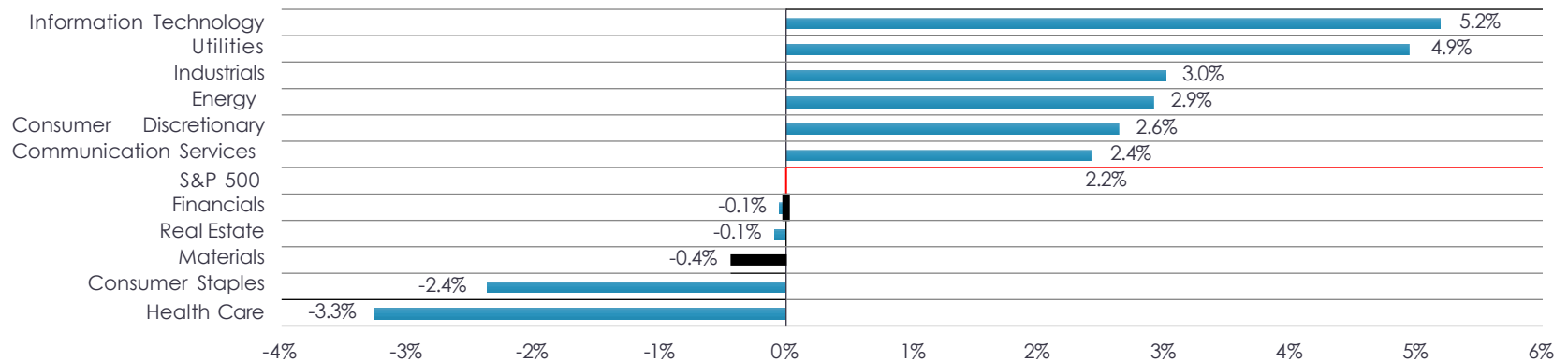
Domestic Equity Returns by Market Cap & Style

Domestic Equity Markets

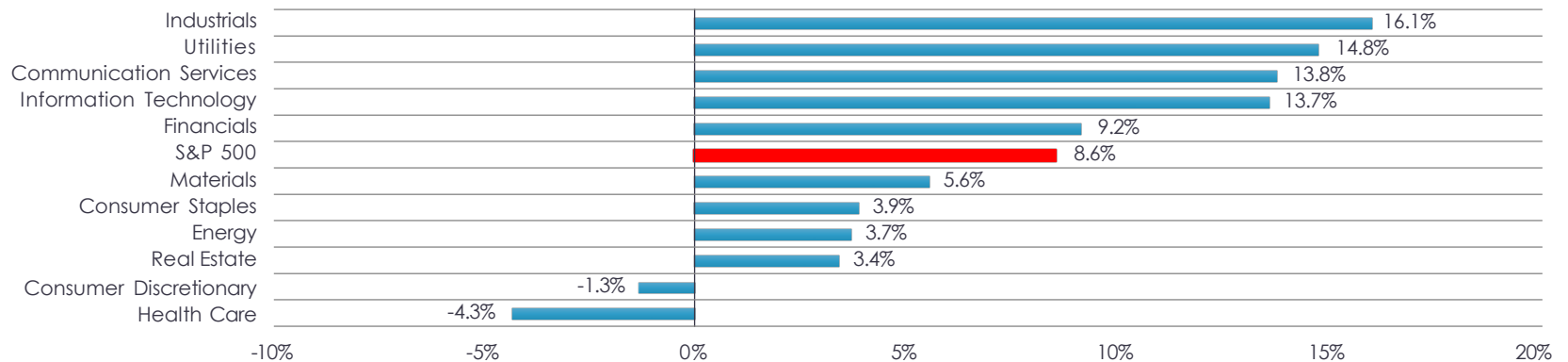


Domestic Equity Returns by Sector

MTD S&P 500 Returns by Sector

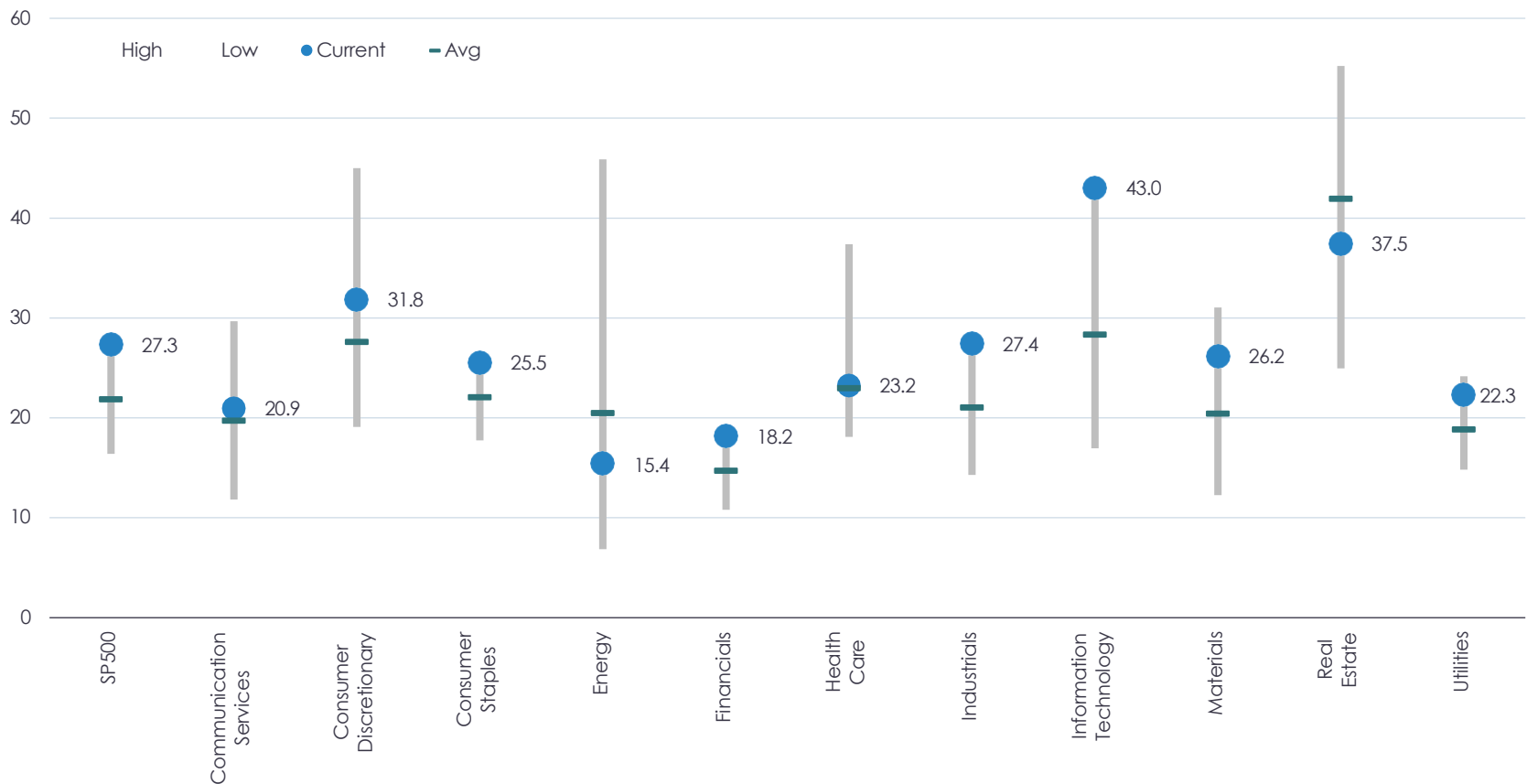


YTD S&P 500 Returns by Sector



Domestic Equity Valuations by Sector

Trailing 12 Month P/E Ratio Compared to 10-Year Range and 10-Year Average



P/E ratios are based on trailing 12 months earnings (LTM) excluding negative earnings. The length of each bar represents the Range of the highest and lowest P/E ratio over the past 10 years. Average represents the average P/E ratio over the past 10 years. Current represents the most recent month. Source: Bloomberg

Economic Indicator Descriptions

- **Real Gross Domestic Product (GDP):** GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive GDP growth signals an expanding economy.
- **Consumer Price Index (CPI):** Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services.
- **Personal Consumption Expenditure Chain-type Price Index (PCEPI):** Measuring the change in the PCEPI provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.
- **Conference Board Index of Leading Economic Indicators (LEI):** The LEI is designed to signal peaks and troughs in the business cycle. The ten components include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.
- **The Institute for Supply Management (ISM) PMI Index:** The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.
- **The Institute for Supply Management (ISM) Non-manufacturing Index (NMI):** The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.
- **Consumer Confidence Index (CCI):** The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards the business climate, personal finances and spending. This index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.
- **Consumer Sentiment Index (MCSI):** The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy. The MSCI is becoming more useful for investors because it gives a monthly snapshot of whether consumers feel like spending money by accessing their views on the business climate, personal finance, and spending in order to judge their level of optimism/pessimism. This is important because consumer spending accounts for a large portion of U.S. GDP.
- **Disposable Personal Income per Capita (DPI):** DPI is the amount of money that households have available for spending and saving after income taxes have been accounted for. DPI is monitored to gauge the overall state of the economy.
- **Personal Consumption Expenditures (PCE):** PCE consists of the actual and imputed expenditures of households including durables, non-durables and services.
- **Retail Sales:** The retail sales report captures in-store sales as well as catalog and other out-of-store sales. The report also breaks down sales figures into groups such as food and beverages, clothing, and autos. The results are often presented two ways: with and without auto sales being counted, because their high sticker price can add extra volatility to the data.
- **Housing Affordability Index (HAI):** Published monthly by the National Association of Realtors, the HAI index has a value of 100 when the median-income family has sufficient income to purchase a median-priced existing home. A higher index number indicates that more households can afford to purchase a home.
- **Unemployment Rate:** Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.
- **Wage Growth:** Calculated quarterly by the Bureau of Labor Statistics, the employment cost index measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The index tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company. We are using the wage component of this index.

Benchmark Descriptions

- **U.S. Aggregate Bond:** The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS, ABS, and CMBS sectors. Securities included in the index must have at least one year until final maturity.
- **U.S. Treasury:** The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.
- **U.S. Agency:** The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade USD-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.
- **U.S. Corporate:** The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- **U.S. MBS:** The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- **U.S. Municipal Bond:** The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least one year until final maturity.
- **General Obligation Bond Index:** The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.
- **Revenue Bond Index:** The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.
- **Investment Style:** Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).
- **Large Cap vs. Small Cap:** Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.
- **Value vs. Growth:** Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.
- **Mega Cap:** The Russell Top 50 Index measures the performance of the top 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the Russell 1000 index.
- **Large Cap:** The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the Russell 1000 index.
- **Mid Cap:** The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.
- **Small Cap:** The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- **Large Cap Growth:** The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.
- **Large Cap Value:** The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- **Mid Cap Growth:** The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
- **Mid Cap Value:** The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.
- **Small Cap Growth:** The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.
- **Small Cap Value:** The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.



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