Month/Quarter-End Summary – June 2025

Market Update

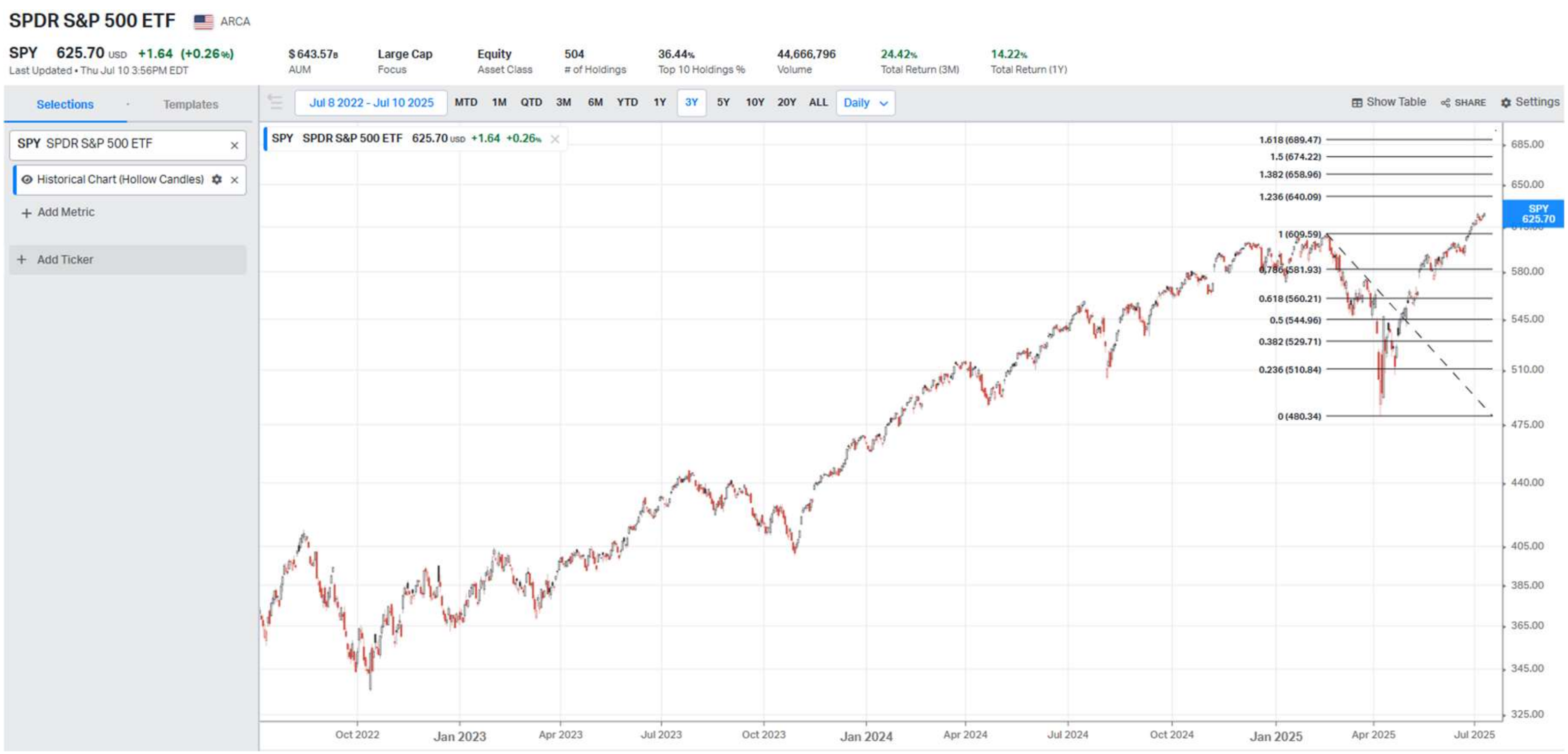
- **S&P 500 and Nasdaq Monthly Performance**:
  - **S&P 500** ended **Q2 2025 with a gain of approximately 5.5%**, driven by a late-quarter rally in technology and consumer discretionary stocks
  - **Nasdaq Composite** outperformed, rising about **5.48%** for the quarter, fueled by sustained strength in mega-cap tech and AI-related companies
  - Despite intra-quarter choppiness, both indices notched their **3rd consecutive quarterly gain**, underscoring continued resilience in U.S. equities
- **Key Drivers of Market Volatility**:
  - **Tariff policy uncertainty** was a dominant theme, particularly regarding automobile and semiconductor imports, which weighed on multinational and industrial sectors
  - **Mixed economic data**, including softening retail sales and housing starts, raised questions about the sustainability of consumer-led growth
  - Rising **geopolitical tensions in the Middle East** and swings in commodity prices (notably oil) contributed to market jitters during April and early June
- **Catalysts Behind the Late-Quarter Rebound**:
  - **Dovish signals from the Fed**, including updated guidance hinting at a potential **rate cut as early as Q3**, improved risk sentiment
  - **Strong corporate earnings** from key sectors (tech, communications, and consumer discretionary) helped restore investor confidence
  - De-escalation rhetoric regarding **U.S.-Iran relations** and a better-than-expected May jobs report helped shift market focus from fear to fundamentals
- **Labor Market and Fed Policy Update**:
  - The U.S. economy added 147,000 jobs in June, above expectations of 110,000, while the unemployment rate fell to 4.1%. key strength was seen in health care and leisure sectors, while manufacturing and federal employment declined, aligning with the Fed's expectations for a soft economic landing. The report signaled a still-resilient labor market amid a gradual cooling trend, helping justify the Fed's patient stance on rate policy
  - The **June FOMC decision** left the **Fed Funds Rate unchanged at an effective rate of 4.375%**, marking the fourth straight pause, though the Summary of Economic Projections still pointed to **two potential cuts** by year-end
  - The Fed remains data-dependent, with officials watching **core inflation trends and labor market dynamics** closely before acting in the second half of 2025

Investment Committee Update

- The Investment Committee (IC) continues to monitor the overall economic and market environment as we are making our way through the 1st half of 2025. As always, the below bullet remains in place and is the foundation for our investment decisions
  - Investment Committee continues to actively identify possible alterations (additions/removals) to our various strategies by utilizing our **rigorous 5-step due diligence process**
- **Despite heightened levels of volatility throughout the second quarter of 2025**, the U.S. equity markets demonstrated notable resilience. We continue to navigate a landscape shaped by shifting Federal Reserve expectations, geopolitical tensions, and the impact of elevated tariffs on global trade. Yet, even amid fluctuating sentiment, the markets showed an ability to recover from pullbacks, supported by stable economic fundamentals and better-than-expected corporate earnings, particularly in the technology and consumer sectors. Softer inflation data and signals from the Federal Reserve suggesting potential rate cuts later in the year further bolstered investor confidence. This environment underscored the importance of maintaining a disciplined investment approach, as short-term volatility masked the underlying strength and adaptability of the U.S. economy and corporate sector
- **The Investment Committee continues to monitor the US economic and political activity and their potential impact(s) on the US/Global markets.** As you are aware, the initial pullback in the markets during the early stages of the Trump Liberation tariffs created relatively attractive entry points, which we were able to take advantage of during the volatility.
- Throughout the quarter, we were able to take advantage of pockets of volatility to make changes to holdings in many of our strategies from both an equity and fixed income perspective. One specific example is us initiating/adding to our existing Vanguard Intermediate-Term Corporate Bond Index Fund (VCIT) to extend the duration of our fixed income holdings. Given that we believe the FOMC will initiate a rate cut cycle later this year, we believe that additional exposure to the intermediate portion of the curve provides us w/ an opportunity to achieve price appreciation while also maintaining attractive yield generation
- We are also continuing to review and monitor the potential impacts of the One Big Beautiful Bill Act (OBBBA), which was recently signed into law. Many parts of the bill may likely have an impact on you, our client, and we want you to know that we will parse through the data and provide updates as necessary

1st Half 2025 Performance Review

- **S&P 500 Gains 5.5% Despite Volatility:**
The index recovered from a sharp mid-April drawdown of over -15%, finishing the first half of 2025 with a solid **+5.5% gain**, underscoring resilience amid economic uncertainty and tariff-related headwinds
- **Growth Sectors Led the Rally:**
Communication Services (+12.11%), **Industrials (+11.96%)**, and **Technology (+8.91%)** were the top-performing sectors, driven by strong corporate earnings, increased infrastructure investment, and ongoing demand for AI and automation themes
- **Defensive and Rate-Sensitive Areas Lagged:**
Consumer Discretionary (-3.13%) and **Health Care (-2.02%)** underperformed as consumers faced pricing pressures and policy uncertainty. **Energy (-0.99%)** also struggled despite early-year strength
- **Broad Participation in the Rebound:**
After the April selloff, most sectors participated in the recovery, particularly **Financials (+8.36%)** and **Utilities (+7.89%)**, reflecting investor optimism around Fed policy stabilization and moderating inflation into mid-year
- This sector rotation highlights how economic resilience and evolving Fed expectations helped drive equity markets higher through a turbulent first half



Volatility Dominated Markets in 2Q2025; Rebound Has Seen Improved Breadth

- **Sharp Correction in April:** SPY (proxy for S&P 500) experienced a rapid drawdown from a peak of ~$610 in March to a low near $480 in mid-April—approximately a **21% decline**, reflecting heightened volatility driven by macroeconomic headwinds (Trump's Tariffs) and geopolitical tensions
- **Resilient Rebound:** Despite the steep pullback, the index rebounded sharply, reclaiming prior highs by early July, highlighting market **resilience and investor confidence** in the face of uncertainty
- **Bringing Back Fibonacci Retracement**: Utilizing the peak-to-trough points in 2Q2025 provided a broad range from which we could measure retracements, as well as new support levels and market extensions. ***Reminder that these are technical charting points and are strictly for analysis purposes. These are subject to change and should not be considered a recommendation***
- **Breakout Above Resistance:** The SPY decisively broke through the **0.786 (~581.93)** and **1.0 (~609.59)** retracement levels, signaling a **bullish continuation pattern** and potential for higher highs
- **Upside Fibonacci Targets:** Current price action near $625 suggests the market may be targeting **1.236 (~640.09)** and potentially **1.382 (~658.96)** or **1.5 (~674.22)** Fibonacci extension levels if momentum persists (*again, these are subjective and not guaranteed*)

Valuations May Be Elevated; A Deeper Dive Shows Pockets Of Value

- **Elevated Valuations Relative to History:** The S&P 500's current forward P/E ratio stands at **21.37**, well above its long-term average and exceeding +1 standard deviation from historical norms. This suggests that broad equity market valuations are relatively stretched, reflecting optimism about earnings growth and expectations for potential Fed rate cuts
- **Concentration in Mega-Caps Driving Index Valuation:** The **top 10 largest companies**, which account for **33.6%** of the S&P 500's weight, are trading at an average forward P/E of **28.8x,** which is a significant premium compared to the rest of the index. In contrast, the 401–500 segment trades at just **16.0x** with minimal index influence (<5% weight), highlighting extreme valuation dispersion and market concentration risks
- **Valuation Compression Moving Down the Cap Spectrum:** As you descend the market cap ladder, forward P/E ratios drop steadily, with mid- and smaller-cap companies (ranks 101–500) trading at more modest multiples (15.5x–19.9x). This suggests potential opportunities for relative value in underrepresented areas of the index, especially if market breadth improves or large-cap growth leadership falters

S&P 500 FORWARD PRICE-TO-EARNINGS

Source: Bloomberg. Data from 12/31/96 – 5/30/25. The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. **Forward P/E** is the price of a stock divided by estimated forward earnings. **Forward Earnings** of S&P 500 is the next-twelve-month consensus estimate. Investors cannot invest directly in an index.

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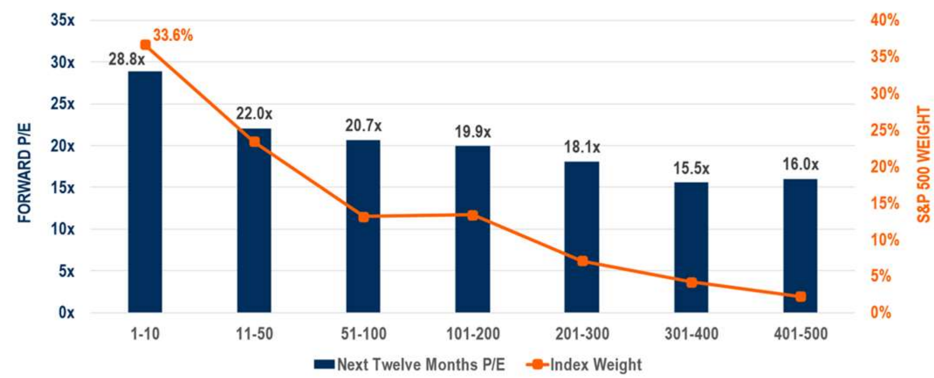
S&P 500 VALUATIONS BY MARKET CAP RANGE & WEIGHTS



Source: Capital IQ. Data as of 5/30/25. Estimates are based on the next four quarters. Forward estimates are divided by the trailing four quarters of earnings to derive future growth rates. There can be no assurance that any estimates will be achieved. The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index.

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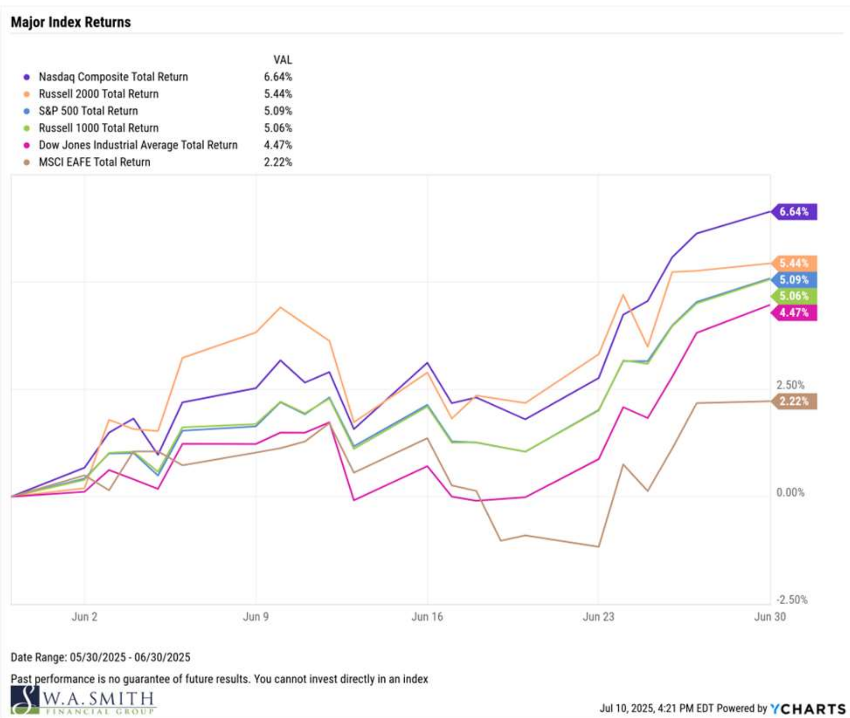
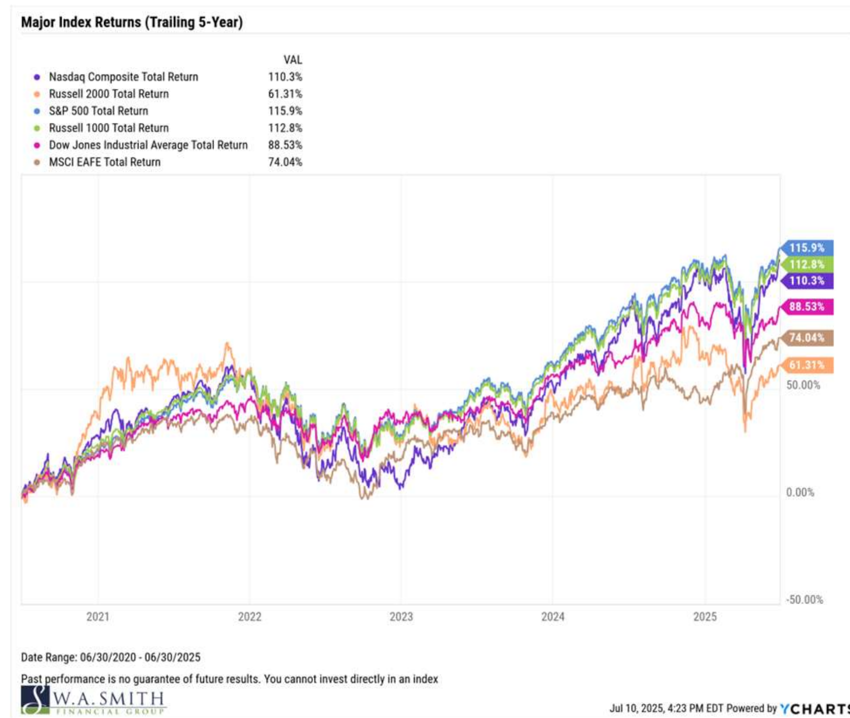
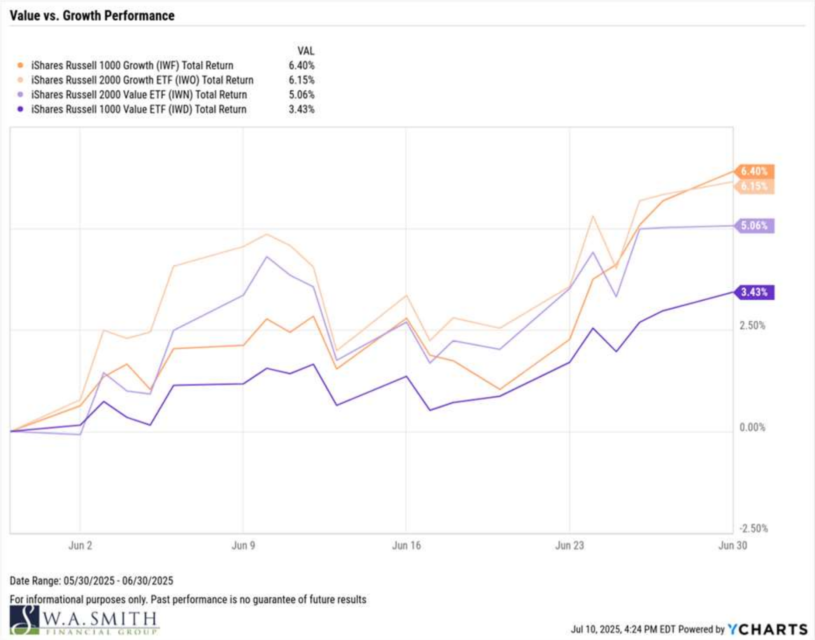
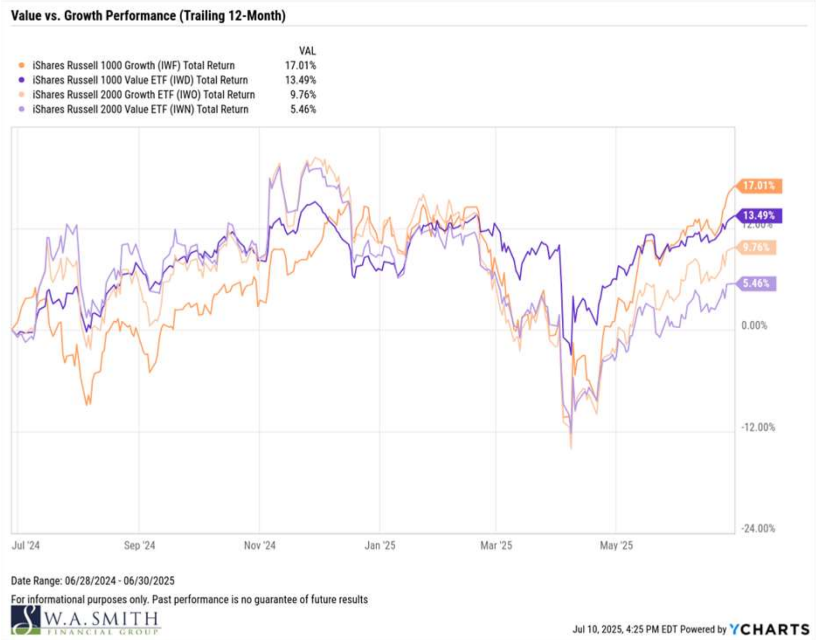
June Continued The Market Expansion Witnessed In May

- **Tech-Led Rally**: The Nasdaq Composite led major index gains with a **+6.64%** total return in June, followed by the Russell 2000 (+5.44%) and the S&P 500 (+5.09%). A rebound in tech and AI momentum stocks likely fueled this outperformance. We have also witnessed increased market breadth, which is a positive for the overall market. For those needing a refresher, market breadth measures the number of stocks participating in a market move—either up or down—and is a key indicator of the underlying strength or weakness of a rally or decline. A market with strong breadth means many stocks are rising alongside the index, signaling a healthier, broad-based advance
- **Compounding Growth Power**: The long-term charts reiterate the benefit of staying invested through volatility, particularly in U.S. large-cap equities, given the power of compounding and consistent earnings growth. As stated previously, **<u>the key takeaway is that the markets are resilient, and cooler heads prevail</u>**



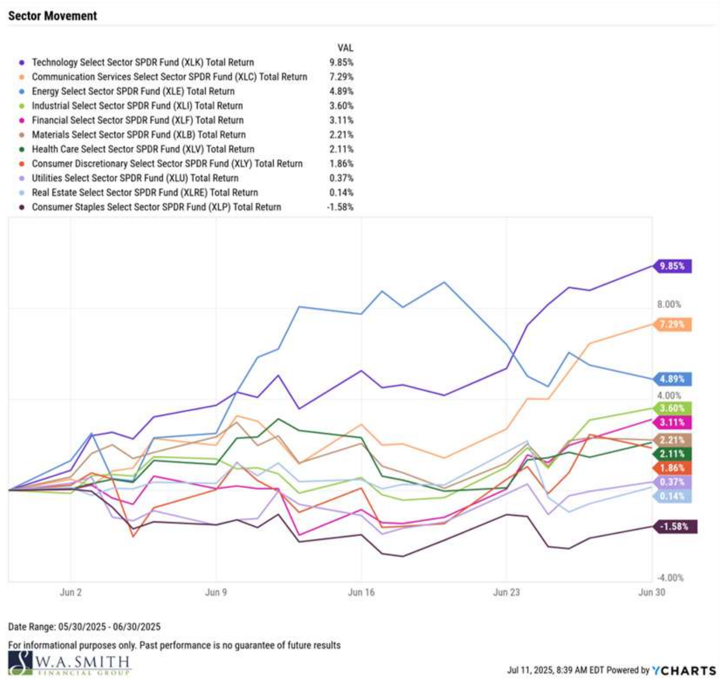


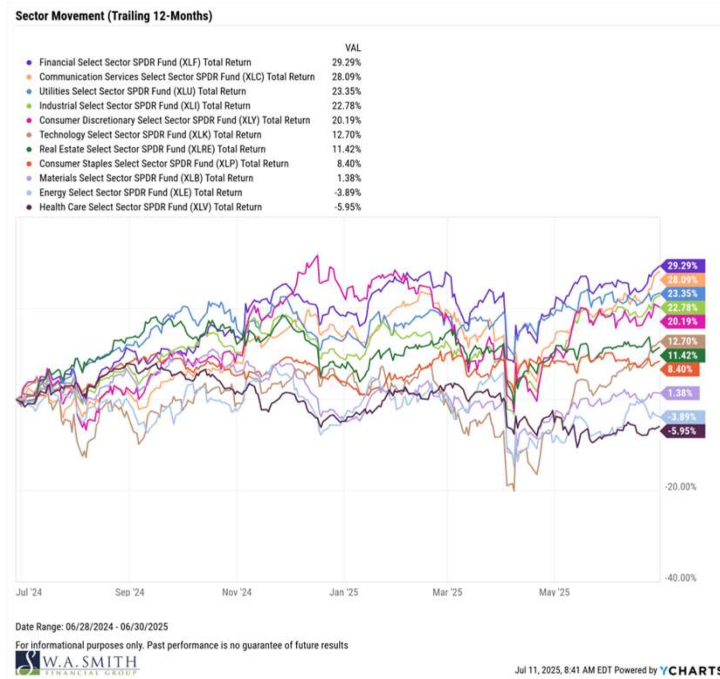




Growth Continued To Be The Driver For Market Returns

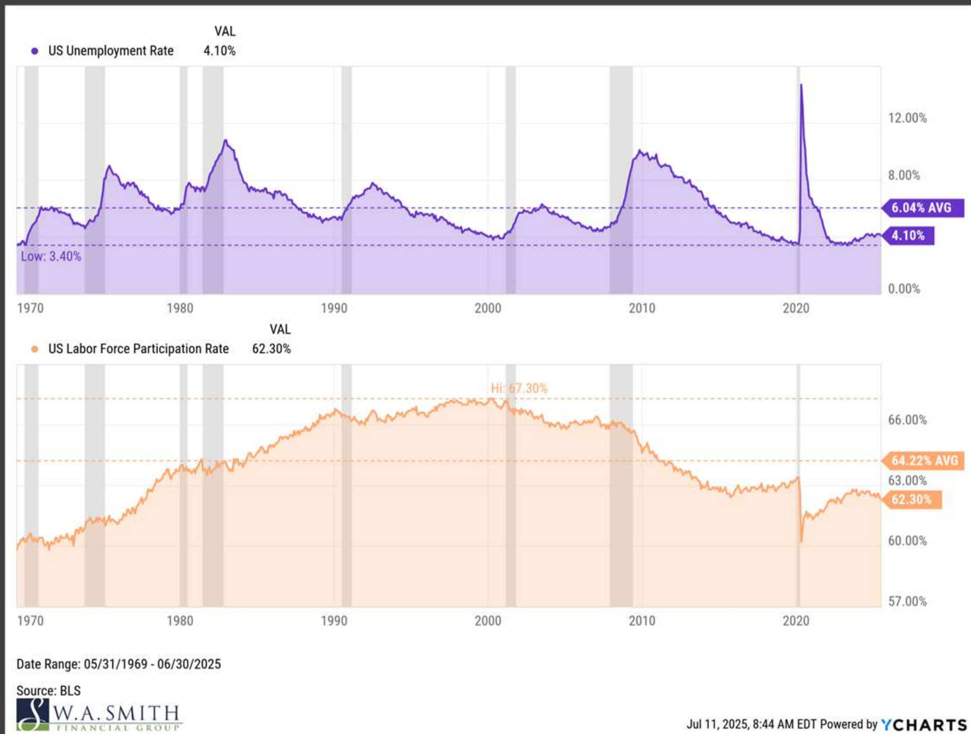
- Throughout June, growth stocks outperformed value across market caps. The iShares Russell 1000 Growth ETF (IWF) led with a **6.40% return**, while the iShares Russell 1000 Value ETF (IWD) returned just **3.43%**, signaling a clear market preference for growth equities amid declining yields and increased optimism around rate cuts
- **Quality growth bias is evident**, as market participants have favored large-cap companies with strong earnings potential and margin resilience. This aligns with the outperformance of the Russell 1000 Growth over both small-cap and value indexes, as investors leaned toward defensible, high-ROE business models amid macro uncertainty…**aka, stronger underlying fundamentals**

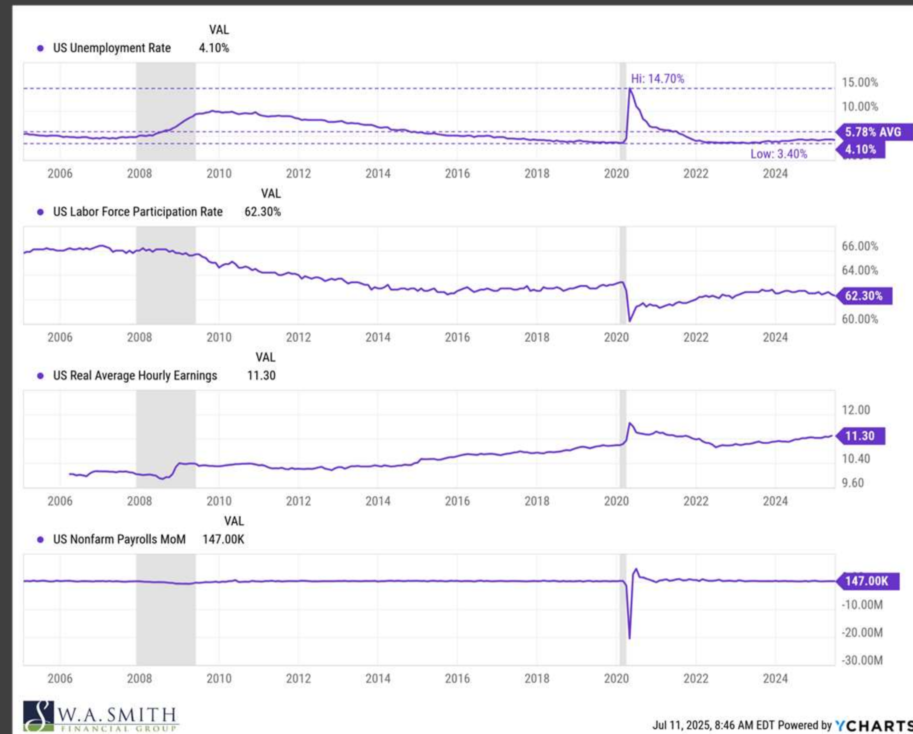




Technology Continued To Reign Supreme In June

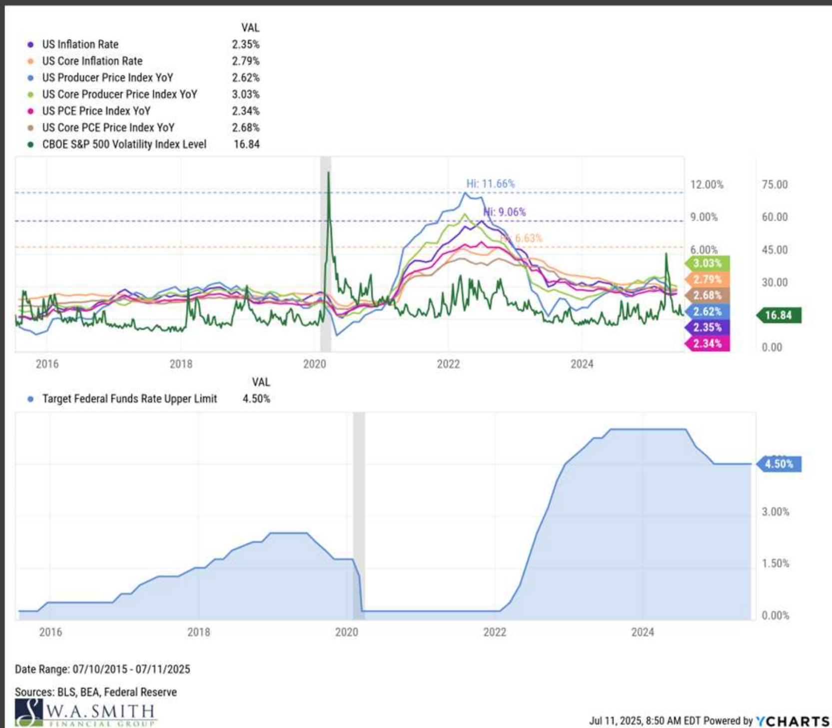
- As you can see, technology, communication services, and energy provided the greatest boost to returns in the month of June. As trade tensions continued to de-escalate, this likely provided renewed confidence in the investor base, which may be leading to an increase in the "risk-on" trade. In addition, the more dovish stance by the FOMC is also helping to drive an increase in the "risk-on" trade -> current expectations are for a cut in September and December of 2025
- While we are still awaiting announcements/signings of trade agreements b/w the Trump administration and the rest of the trading world, we do note that the markets have fully retraced the April 2025 "Liberation Day" lows and have now established new record highs

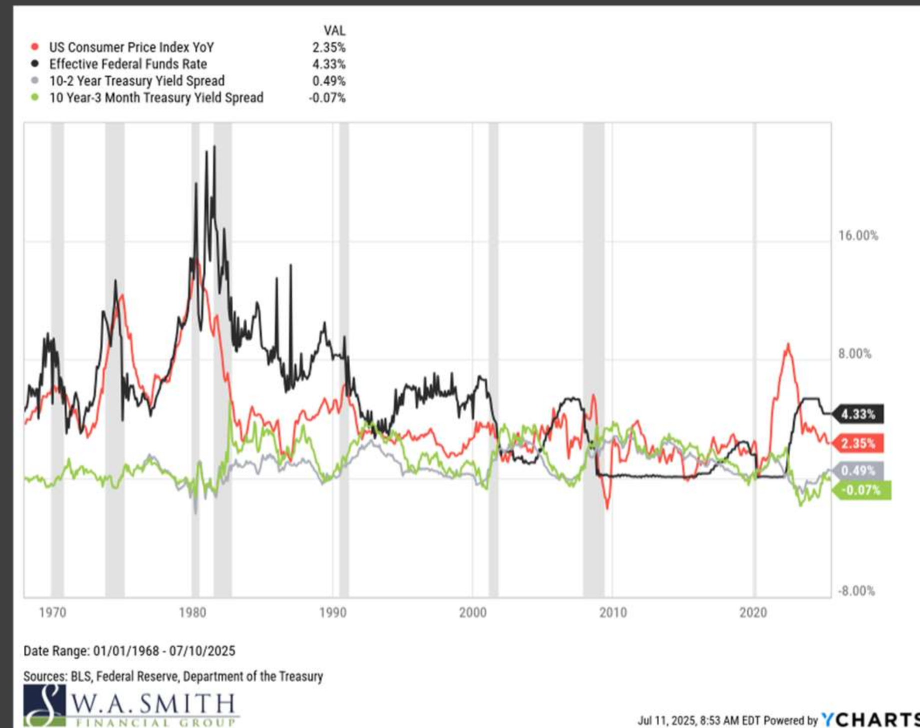




Labor Strength Remains, Unemployment Drops, Participation Rate Declines

- Total Non-Farm Payroll data for June increased by 147,000, which was higher than the consensus forecast of 110,000. We did see the unemployment rate shift lower to 4.1% which was a bit of a surprise. We did see lower data in the labor force participation rate again. As stated previously, a likely cause for the lower labor force participation rate in the June non-farm payrolls data was a tighter immigration policy, which has constrained the growth of the available labor force.
- Immigration (or lack thereof) continues to be a key contributor to labor force growth, particularly in sectors like healthcare, construction, and hospitality. The increase in restrictions or backlogs in visa processing, work authorizations, and asylum pathways has limited new entrants into the labor market.
- The drop in participation, especially if driven by structural constraints like immigration policy, tightens the labor market, possibly putting upward pressure on wages and limiting labor supply recovery, even as job creation slows. If we continue to see lower inflation prints, we may likely see a move by the FOMC to cut rates to help stimulate the labor force and the US economy



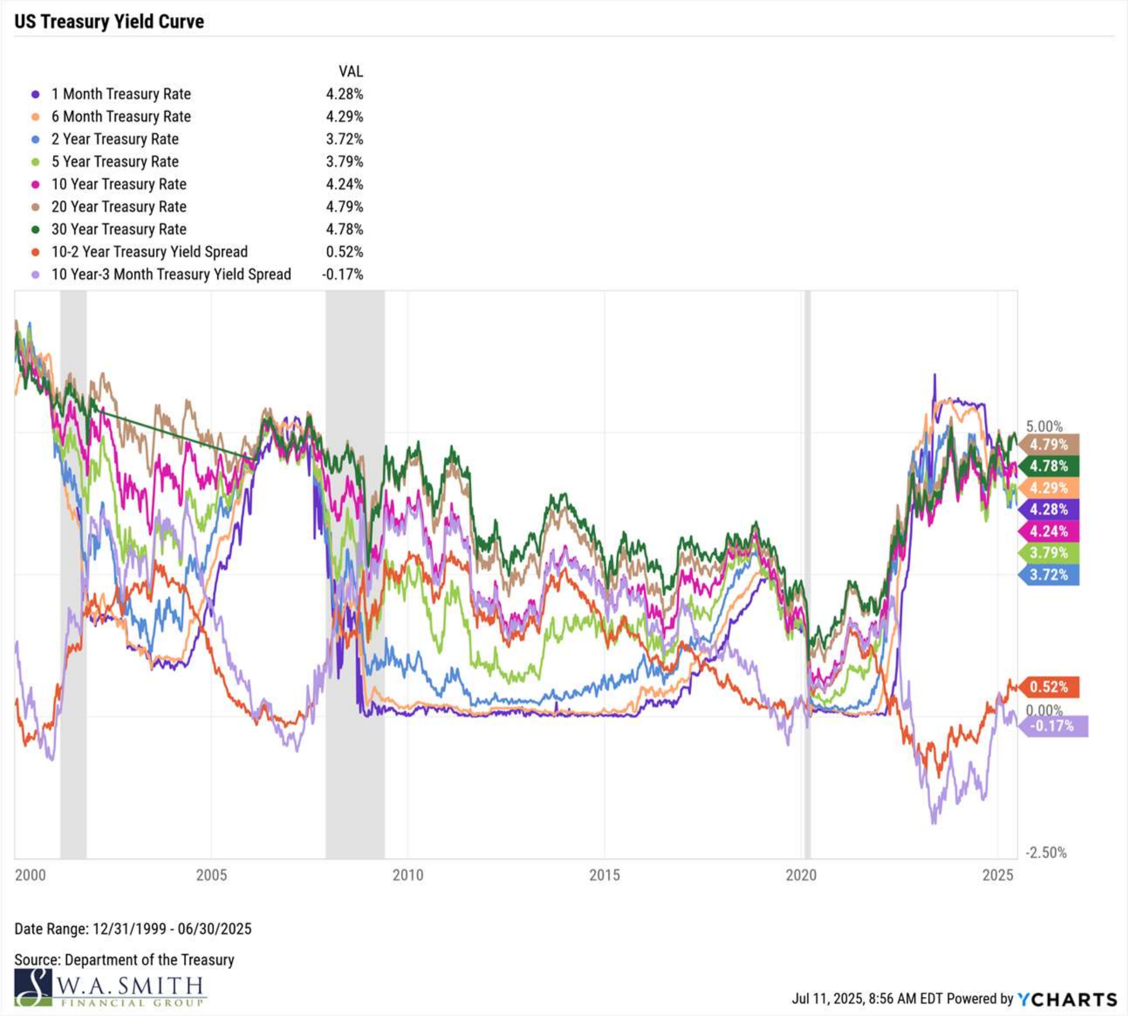


FOMC May Likely Be On The Verge Of Cutting Rates

- The FOMC stated again after the June meeting that there is no need to change the Fed Funds Rate, which is currently at **4.375% (effective rate)**. As noted previously, Chairman Powell stated that "the central bank can wait to see how President Donald Trump's aggressive policy actions play out before it moves again on interest rates." Post the recent June payrolls data, the FedWatch tool (CME FedWatch) is currently showing a high probability that the FOMC will keep rates flat for the July meetings
- That said, pressure is mounting for the FOMC to initiate a rate-cutting cycle. Currently, we are seeing expectations for a September cut (~67%) as well as another cut at the December meeting. The Trump administration is leading the way by criticizing Chairman Powell's wait-and-see stance
- As noted on the previous slide, the FOMC is monitoring the payrolls data along w/ the soon-to-be-released inflationary data in the form of CPI and PPI. If we see an increase in inflationary data as well as a continued slowdown in the employment sector, we may see a shift in rate cut expectations if the FOMC wants to address a potential slowdown in the economy, but, as of right now, there does not seem to be an appetite to cut immediately

Yields Pulled Back Slightly In Longer Duration; Seeing Inversion In Ultra-Short To 10-Year Spread

- Yields have pulled back (especially in the intermediate and longer ends of the curve) to levels that we saw during the first portion of the year. That said, we are continuing to see the 30-year remaining a little higher at a yield of ~4.8%
- We have seen a recent inversion in the 10-Year-to-3-Month Treasury Yield Spreads. Much of this is due to the increased interest in the 10-Year Treasury leading to a pullback in its rate. That said, we are seeing a continuation of the steepening of the spread for the 10-2 Year Treasury spread
- The potential dovish shift by the FOMC is noteworthy as we are seeing increased interest in the longer end of the curve to lock in relatively attractive yields. As stated previously, expectations are growing for the FOMC to initiate a new cut regime in September, followed by December
- It is worth noting that if/when the FOMC begins to cut rates, we will likely see a swift and immediate move in the shorter-term durations (0-2 years) as these tend to be the most sensitive to FOMC moves, and this may likely lead to a steeper curve



New Timeseries Analysis

Data as of: July 11, 2025

Date Range: 12/30/2022 to 06/30/2025
Frequency: Monthly
Aggregation: End of Period (default)
Fill Method: No Fill

Symbol	Name	Metrics	Jun 30 '25	May 31 '25	Apr 30 '25	Mar 31 '25	Feb 28 '25	Jan 31 '25	Dec 31 '24	Nov 30 '24
I:10YTCMR	10 Year Treasury Rate		4.24%	4.41%	4.17%	4.23%	4.24%	4.58%	4.58%	4.18%
I:1MTCMR	1 Month Treasury Rat...		4.28%	4.33%	4.35%	4.38%	4.38%	4.37%	4.40%	4.76%
I:1YTCMR	1 Year Treasury Rate		3.96%	4.11%	3.85%	4.03%	4.08%	4.17%	4.16%	4.30%
I:20YTCMR	20 Year Treasury Rate		4.79%	4.93%	4.68%	4.62%	4.55%	4.88%	4.86%	4.45%
I:2YTCMR	2 Year Treasury Rate		3.72%	3.89%	3.60%	3.89%	3.99%	4.22%	4.25%	4.13%
I:30YTCMR	30 Year Treasury Rate		4.78%	4.92%	4.66%	4.59%	4.51%	4.83%	4.78%	4.36%
I:3MTCMR	3 Month Treasury Rat...		4.41%	4.36%	4.31%	4.32%	4.32%	4.31%	4.37%	4.58%
I:3YTCMR	3 Year Treasury Rate		3.68%	3.87%	3.58%	3.89%	3.99%	4.27%	4.27%	4.10%
I:5YTCMR	5 Year Treasury Rate		3.79%	3.96%	3.72%	3.96%	4.03%	4.36%	4.38%	4.05%
I:6MTCMR	6 Month Treasury Rat...		4.29%	4.36%	4.19%	4.23%	4.25%	4.28%	4.24%	4.42%

Yields Spiked Higher Throughout May, But Have Pulled Back As Volatility In US Markets Has Subsided

- **Cooling Inflation Trends**: Recent Consumer Price Index (CPI) and Producer Price Index (PPI) data have indicated that inflation is moderating. Core PCE inflation has also edged lower, increasing confidence that the Fed's restrictive policy stance is achieving its disinflation goals
- **Labor Market Deceleration**: The June and prior non-farm payrolls reports showed declining (yet positive) job creation and a weakening labor force participation rate. This has contributed to the view that economic momentum is softening, reducing the need for continued Fed hawkishness -> potentially shifting to dovish
- **Shift in FOMC Expectations**: With inflation trending lower and the economy showing signs of moderation, Fed funds futures have increasingly priced in at least one rate cut before year-end. This shift in expectations has helped push long-duration yields lower
- **Flight to Quality on Geopolitical Risks**: Ongoing trade tensions and geopolitical uncertainty—particularly surrounding U.S. tariffs and Middle East developments—have led to periods of safe-haven buying, boosting demand for Treasuries and lowering yields

Despite Intra-Year Volatility, Strong Case For Staying The Course

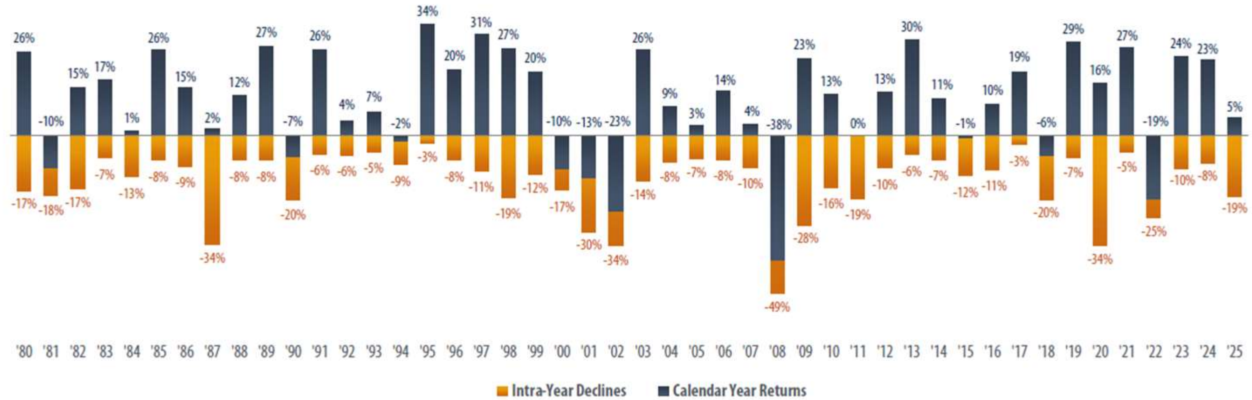
Investors tend to see short-term volatility as the enemy. Volatility may lead many investors to move money out of the market and "sit on the sidelines" until things "calm down." Although this approach may appear to solve one problem, it creates several others:

1. When do you get back in? You must make two correct decisions back-to-back; when to get out and when to get back in.
2. By going to the sidelines you may be missing a potential rebound. This is not historically unprecedented; see chart below.
3. By going to the sidelines you could be not only missing a potential rebound, but all the potential growth on that money going forward.

We believe the wiser course of action is to review your plan with your financial professional and from there, decide if any action is indeed necessary. This placates the natural desire to "do something," but helps keep emotions in check.

Intra-Year Declines vs. Calendar Year Returns

Volatility is not a recent phenomenon. Each year, there is the potential for the market to experience a significant correction, which for the S&P 500 has averaged approximately -14% since 1980. History has shown that those who chose to stay the course were rewarded for their patience more often than not.



Source: First Trust, Bloomberg. As of 6/30/2025. **Past performance is no guarantee of future results.** The benchmark used for the above chart is the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

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- **Volatility Is Common**: Since 1980, the average intra-year decline for the S&P 500 has been approximately -14%, yet most calendar years still ended positively. This underscores that short-term declines are a normal part of long-term investing
- **Market Often Recovers Despite Sharp Drops**: Even in years with significant drops (e.g., -34% in 1987 or -49% in 2008), the market has often posted strong positive returns in the following calendar year, reinforcing the importance of staying invested
- **Sitting on the Sidelines Can Be Costly**: The graphic warns against reacting emotionally to volatility by "going to the sidelines." Missing the rebound, often one of the strongest phases of a recovery, can materially hurt long-term returns. As you are all aware from our "missing out on the best days" data, this chart further shows the importance of remaining invested
- **Staying Invested Pays Off**: The chart supports a disciplined investment approach, showing that despite numerous sharp intra-year declines, the S&P 500 delivered positive annual returns in most years. This rewards investors who stay the course rather than attempt to time the market

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- **S&P 500 –** measures the performance of 500 widely held stocks in US equity market. Standard and Poors chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied. It is market-capitalization weighted.
- **NASDAQ Composite Index** – a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- **Russell 1000** – The index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.
- **Dow Jones Industrial Average Price Return Index** – a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.
- **Russell 2000 Index** – measures the performance of the small-cap segment of the U.S. equity universe.
- **MSCI EAFE Index** – a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI, Inc., a provider of investment decision support tools; the EAFE acronym stands for Europe, Australasia and Far East.