

1Q 2025 Market Summary

Markets remained volatile during the first quarter of 2025 as investors grappled with uncertainty surrounding trade policy, interest rates and slowing corporate earnings growth. While the year began with optimism following strong 2024 returns, concerns over new tariffs and persistent inflation pressures led to a broad market pullback. Looking ahead, geopolitical risks and policy uncertainty could weigh on sentiment. In this environment, maintaining a well-balanced asset allocation remains critical to achieving both short- and long-term financial goals.

The stock market saw sharp swings in early 2025, reaching an all-time high late February before experiencing a peak-to-trough correction drop of over -10%. Inflation remained stubbornly high at nearly 3% leading the Federal Reserve to hold rates steady during the quarter. Long-term 10-Year Treasury yields fell from a high of 4.8% to 4.2% at the end of the quarter as recession concerns grew.

As we move forward, markets will continue to navigate a complex environment characterized by high valuations, shifting economic conditions, and ongoing global uncertainty. While equities remain a key driver of long-term growth, prudent diversification across asset classes will be essential in managing risks and taking opportunity of dislocations.

Equities

The S&P 500 Index declined -4.3% during the first quarter, reversing some of the gains from the previous two years. Market weakness was largely broad-based, though some defensive sectors generated positive returns including Utilities, Healthcare, Telecommunications and Energy. Mid and small capitalization companies were hit particularly hard, with the Russell Mid Cap Index declining -3.4% and the Russell 2000 Index falling -9.5%.

Value stocks outperformed growth, reversing a two-year trend as the Russell 1000 Value Index returned 2.1% and the Russell 1000 Growth Index fell -10.0%.

International equities performed well as the US dollar weakened, with the MSCI EAFE returning 6.9%. Emerging markets also posted positive returns, with the MSCI Emerging Markets Index returning 2.9% during the quarter.

Fixed Income

Fixed income markets were largely positive during the quarter as growing recession concerns led to a belief that the Federal Reserve will be more aggressive with interest rate cuts in the second half of the year. The Bloomberg US Aggregate Bond Index returned 2.8%, reflecting downward pressure on longer-term yields. Shorter-duration bonds fared better, with the Bloomberg 1-3 Year Treasury Index posting a modest 1.0% gain.

Corporate credit spreads widened during the quarter, as concerns over slowing economic growth led to

increased risk aversion. Investment Grade and High Yield bonds alongside Treasuries, returning 2.3% and 1.0%, respectively, during the quarter.

Despite near-term volatility, bond markets continue to offer attractive income opportunities, particularly in shorter-duration and high-quality credit segments. Investors should remain selective, focusing on credit fundamentals and duration management.

Commodities

Oil prices were volatile but crude oil ended the quarter near where it started at \$72 per barrel. Gold continued the rally it experienced in 2024, rising 18.2% as investors sought safe-haven assets.

The Bloomberg Commodity Index posted an 8.8% return for the quarter as prices rose across energy and industrial metals. Looking ahead, supply-side constraints and geopolitical risks could drive renewed volatility in commodities.

Important Information:

The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Government/Credit 1-3 Year Index is an unmanaged index considered representative of performance of short-term US corporate bonds and US government bonds with maturities from one to three years.

The Bloomberg US High Yield Corporate Bond Index is a rules-based, market-value-weighted index engineered to measure publicly issued non-investment grade USD fixed-rate, taxable and corporate bonds.

The Core Personal Consumption Price Index measures the changes in the price of goods and services purchased by consumers for the purpose of consumption, excluding food and energy.

The LBMA Gold Price Index is the global benchmark for unallocated gold and silver delivered in London.

The Morningstar US Semiconductor Index measures the performance of companies that operate in the semiconductors industry in the US. This Index does not incorporate Environmental, Social, or Governance (ESG) criteria.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the US and Canada.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries

The MSCI Emerging Markets Index is an index designed to measure equity market performance in global emerging markets.

The Russell 1000 Growth Index is a broadly diversified index predominantly made up of growth stocks of large US

companies.

The Russell 1000 Value Index is a broadly diversified index predominantly made up of value stocks of large US companies.

The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

The Russell Midcap Index is a market capitalization-weighted index comprised of 800 publicly traded US companies with market caps of between \$2 and \$10 billion.

The Standard & Poor's 500 Index, often abbreviated as S&P 500, is an American stock exchange market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices. The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS energy sector.

The S&P 500 Momentum Index is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance.

The West Texas Intermediate (WTI) oil, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content.

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