

2Q 2025 Market Summary

The second quarter of 2025 was one of the more volatile quarters in recent years, a result of the Trump administration's surprising tariff rollout, ongoing tax bill debate and a significant escalation of violence in the Middle East. Despite the uncertainty these events caused, most markets ultimately proved resilient and posted positive returns.

One asset class that struggled during the quarter was the usually strong US dollar, which fell 6% during the quarter and 10.8% in the first half of the year versus a basket of major currencies, marking its worst first-half performance since 1973. The dollar declined as tariffs and stubbornly high budget deficits in the US nudged investors to look abroad for opportunity following a historic period of domestic outperformance. As a result, non-US stocks have handily outpaced US stocks so far this year.

Meanwhile, the Federal Reserve took a "wait and see" approach by keeping its Fed Funds rate at a range of 4.25% to 4.50% even with immense pressure from the White House to lower rates. Inflation remains above the Fed's 2.00% long-term target and Fed Chair Powell has indicated a possibility that tariffs can add to inflation once fully implemented.

We expect uncertainty and volatility to continue for the foreseeable future, but investors can use this volatility to their advantage. Following its second quarter roller coaster ride, the S&P 500 Index trades at a lofty 22 times forward earnings, suggesting lower returns in the future. However, given the various macro factors in play, any change to expectations can result in rapid and wide swings that create attractive opportunities. Non-US markets have rallied so far this year, but continue to provide diversification benefits and reasonable valuations. Further, bond markets continue to provide higher levels of income than seen since before the 2008 global financial crisis.

Equities

The S&P 500 Index returned 10.9% during the quarter, albeit with extreme volatility. This index previously peaked in late February 2025 and fell just under 20% through its trough in early April, and then rebounded following an announced delay in tariff implementation. Growth stocks gained the most during the quarter, with the Russell 1000 Growth Index up 17.8% versus a 3.8% return for the Russell 1000 Value Index. The Russell Midcap Index and Russell 2000 Index both returned 8.5% during the quarter.

Overseas markets continued rallying with the MSCI EAFE Index up 11.8% on a US dollar basis, but only 4.8% on a local currency basis, as the declining US dollar boosted the value of international assets. The MSCI Emerging Markets Index benchmark returned 12% during the quarter.

Fixed Income

Bond markets continued to benefit from higher interest rates, but also experienced heightened volatility as the 10-year Treasury yield fell to as low as 3.9% immediately following the tariff announcements. It

then jumped to 4.6% shortly thereafter on the budget deficit and other concerns, ending the quarter at 4.3%, near where it started. Through this, the Bloomberg US Aggregate Bond Index returned 1.2% and the Bloomberg US Corporate High Yield Index returned 3.5% for the quarter. The municipal bond market faced headwinds of higher supply as issuers rushed to issue bonds before potential tax changes. As a result, the Bloomberg Municipal Bond Index fell a slight -0.1%.

Commodities

Oil prices shrugged off bombings in the Middle East, as the price for a barrel fell from \$72 to \$61 in the quarter. Gold continued to shine by returning 5.4% during the same period. The decline in energy costs caused the Bloomberg Commodity Index to fall 3.1% in the quarter.

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.

This report has been prepared for informational purposes only. It is based on information generally available to the public from sources believed to be reliable. No representation is made that information is accurate or complete. Any opinions expressed are subject to change without notice. Past performance is not indicative of future results. Yields are subject to market fluctuations. Additional information is available upon request.

Mesirow does not provide legal or tax advice. Past performance is not indicative of future results. The views expressed above are as of the date given, may change as market or other conditions change, and may differ from views expressed by other Mesirow associates. This is not a solicitation to buy or sell the securities mentioned. Do not use this information as the sole basis for investment decisions, it is not intended as advice designed to meet the particular needs of an individual investor. Information herein has been obtained from sources which Mesirow believes to be reliable, we do not guarantee its accuracy and such information may be incomplete and/or condensed. All opinions and estimates included herein are subject to change without notice. This communication may contain privileged and/or confidential information. It is intended solely for the use of the addressee. If you are not the intended recipient, you are strictly prohibited from disclosing, copying, distributing or using any of the information. If you receive this

communication in error, please contact the sender immediately and destroy the material in its entirety, whether electronic or hard copy. This material is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc. ©2025, Mesirow Financial Holdings, Inc. All rights reserved. Any opinions expressed are subject to change without notice. Past performance is not indicative of future results. Advisory Fees are described in Mesirow Financial Investment Management, Inc.'s Form ADV Part 2A. Advisory services offered through Mesirow Financial Investment Management, Inc. an SEC registered investment advisor. Securities offered by Mesirow Financial, Inc. member FINRA and SIPC.