

QUARTERLY MARKET COMMENT

Second Quarter 2025



The markets experienced a wild ride in the second quarter and ended with an impressive rebound from the steep declines of early April. Volatility spiked in early April following the announcement of sweeping reciprocal tariffs, causing the markets to drop sharply. As initial tariff rates were reduced, the markets slowly and steadily recovered over the remainder of the quarter.

On balance, large caps outperformed small caps in Q2, as they did in the first quarter. From an investment style standpoint, growth massively outperformed value. The best-performing sectors in the 2Q were the AI-linked technology and communications services. International markets fared even better in 2Q than the U.S. due to a weakening dollar and stronger earnings, as noted below in the chart. Commodities saw slight declines in the quarter due to weakness in oil prices. A continued rally in gold kept losses for most commodity indices modest. Gold added to the already-impressive YTD returns, aided by the falling dollar (which hit a three-year low in the second quarter) and elevated geopolitical tensions. Switching to fixed income markets, the leading benchmark for bonds (Bloomberg U.S. Aggregate Bond Index) realized a modest positive return for 2Q, as stable inflation readings and some cooling of U.S. economic growth late in the quarter boosted demand for bonds.

The underlying economy has remained resilient with slow but steady growth and low inflation. The adjustments made to lower the original tariff stance by the administration, combined with still solid economic growth and positive earnings results, contributed to the markets turning positive for the second quarter. Geopolitical concerns caused oil prices to spike in early June, temporarily creating a negative impact on the markets until tensions were reduced. This decline, combined with rising expectations for rate cuts in the second half of the year, pushed the markets to new all-time highs in the final days of June. Given this backdrop, it has helped to boost investor confidence.

Markets have been impressively resilient so far this year, but as we start the second half of 2025 there remain numerous, potentially significant risks to the markets and the economy and we will not let the market's momentum create a sense of complacency. We remain focused on both opportunities and risks in the markets with a diversified approach to meet your long-term investment goals. Therefore, it's critical to stay invested, remain patient, and stick to the plan, as we've worked with you to establish an asset allocation based on your financial position, risk tolerance, and investment timeline. We appreciate and value the trust you have placed in us to help guide you through your financial life. Please let us know if you have any questions or concerns.

Asset Index Category	2Q 2025 %	YTD 2025 %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	10.57	5.50	14.89	11.64
S&P 400 Index-Mid-size Companies	6.29	-0.58	11.72	7.52
Russell 2000 Index-Sm Companies	8.11	-2.47	8.58	5.66
US Real Estate Funds	-0.58	0.52	6.76	5.47
Gold	5.22	24.38	11.76	9.90
US Commodities	-2.18	4.91	14.02	2.99
Global Real Estate Funds	6.24	8.01	4.98	3.61
MSCI EAFE-Developed International	10.58	17.37	8.32	3.72
MSCI EM Index-Emerging Markets	11.02	13.70	4.21	2.32
Barclays US Aggregate Bond Index	1.21	4.02	-0.73	1.76
Long US Government Bond Index	-2.48	1.09	-10.95	-2.87
Emerging Market Bond Index	4.95	8.07	2.48	2.68

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