Monthly Market Recap

February 2025

From the Investment Committee

February was a month of mixed market performance, largely influenced by shifting geopolitical dynamics and economic data. The U.S. stock market faced downward pressure due to concerns over new tariffs announced by President Trump on imports from key trade partners.

The S&P 500 dropped by 1.3%, the Nasdaq fell by 3.9% and the Dow Jones lost 1.4% over the month. This turbulence was compounded by uncertainty surrounding the economic impact of tariffs, as investors worried about potential inflationary effects and disruptions to global trade.

In contrast, European markets showed more resilience, with the MSCI Europe climbing by 3.4%, reflecting optimism despite global volatility.

On the economic front, the U.S. experienced a slight cooling in manufacturing activity. The Institute for Supply Management's Manufacturing Purchasing Managers Index (PMI) for February came in at 50.3%, signaling a slowdown in expansion.

The Federal Reserve Bank of Atlanta also revised its first-quarter GDP growth forecast down, citing economic drag from the new tariffs.

This economic uncertainty, along with investor concerns about the long-term effects of trade policy, resulted in a cautious market atmosphere. As a result, February's market performance highlighted the deep interconnectedness between policy decisions, investor sentiment and economic outlooks.

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Key Takeaways

Markets and Consumers Expecting Higher Inflation	• The market expectations for inflation, as measured by the 5-year TIPS breakeven inflation rate, hit 2.7% in February, the highest since February 2023. • The University of Michigan's Surveys of Consumers figure on inflation expectations for the next 5-10 years rose to 3.5%, the highest since 1994.
Consumer Confidence Weakens	• The Conference Board's Consumer Confidence Index dropped 7 points to 98.3, the largest monthly decrease since August 2021. • This decline was driven by the economic impact of President Trump's policies, including tariffs and federal workforce reductions.
Volatility on the Rise	• The VIX, often referred to as the "fear gauge," spiked by more than 20% the last week of February. • The S&P 500 Index was down 1.31% for the month. • The Magnificent Seven shed $1 trillion in market capitalization in February. • So far this year, international stocks have led domestic stocks due to investor optimism surrounding geopolitical developments and strategic corporate actions within the region.
Solid Q4 Earnings	• With 97% of S&P 500 companies reporting actual results, 75% of S&P 500 companies have reported a positive EPS surprise. • 63% of S&P 500 companies have reported a positive revenue surprise. • The blended YOY earnings growth rate for the S&P 500 is 18.2%, which, if it is the actual growth rate, will mark the highest YOY rate reported since Q4 2021.

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Asset Class Performance

Equities

- U.S. equities fell after consumer confidence declines in February, which also initiated a sector rotation within the S&P 500 toward sectors including Real Estate, Consumer Staples and Energy.

- International markets performed well in February, with developed markets returning 2% and emerging markets returning a more muted 0.5%. Still, both outperformed the S&P 500, which returned -1.31%.

Fixed Income

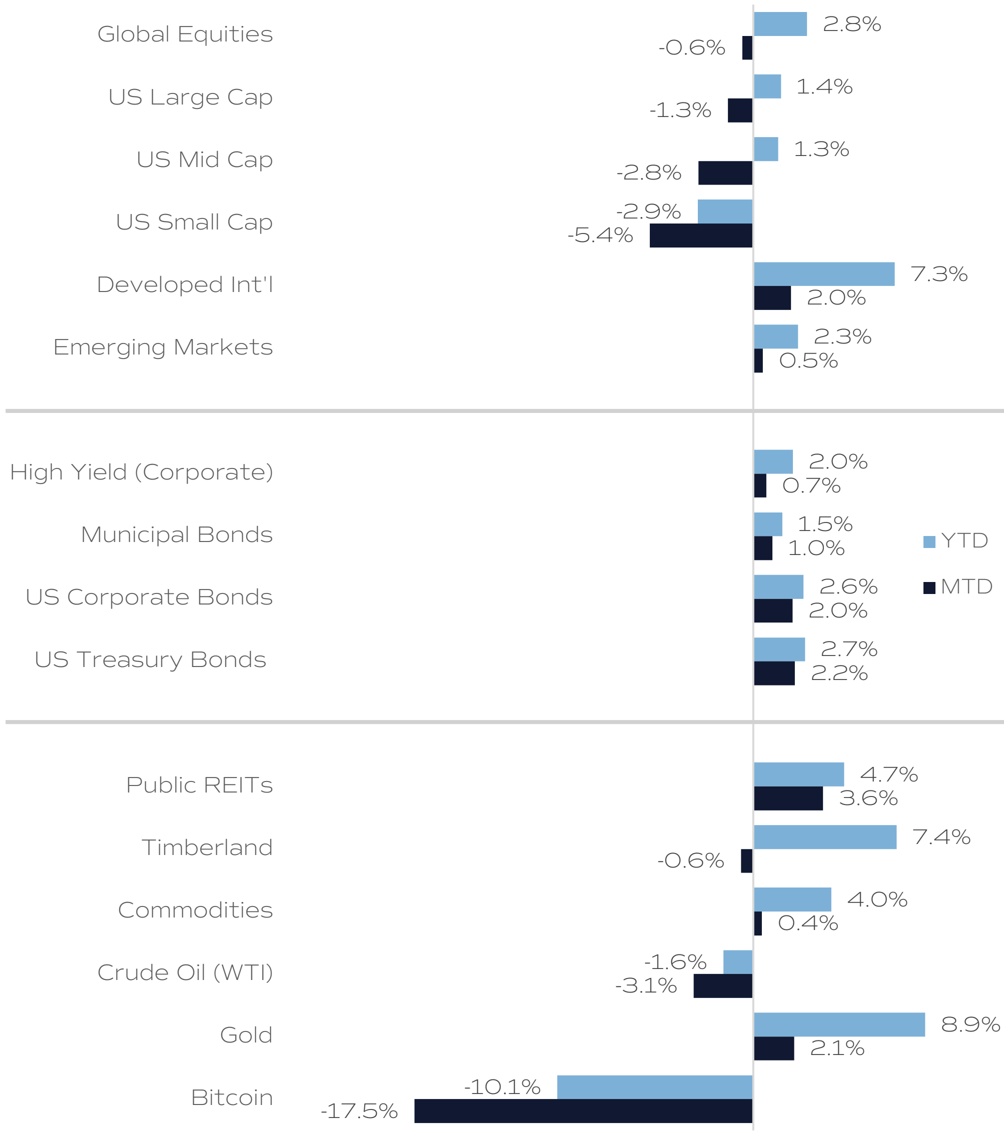
- U.S. bond market returns were positive for the month as underlying Treasury rates declined. As a result, longer-duration bonds outperformed.

- Returns for the last three and six months were also positive. Higher income levels provided positive returns in a stable interest rate environment.

Real Assets

- Aside from a big rally in Henry Hub natural gas prices, it was a relatively uneventful month for most commodities. WTI and Brent Crude, copper, gold and silver were within +/- 3% for the month.

- Following a big six-week run through mid-December of last year, in which Bitcoin rallied more than 50%, cryptocurrencies had been gradually consolidating until a more sizable move lower in the final week of February.



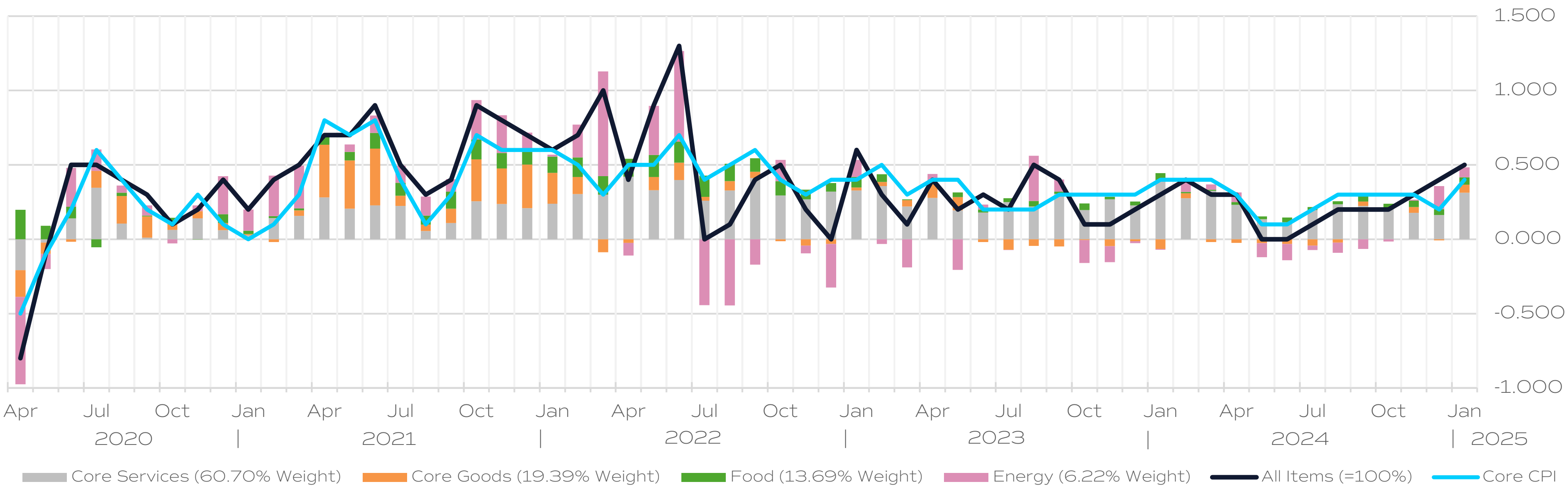
Source: Bloomberg as of February 28, 2025.

Macroeconomic Overview

	Year End 2024 %	Recent Period %	Prior Period %	YTD Change %
GDP (YoY Change)*	3.20	2.50	3.20	(0.70)
Conference Board - LEI	0.10	(0.30)	0.10	(0.40)
Unemployment Rate	4.10	4.00	4.10	(0.10)
CPI (YoY Change)	2.90	3.00	2.90	0.10
CPI ex. Food & Energy	3.20	3.30	3.20	0.10
PCE	2.86	2.65	2.86	(0.22)
Effective Fed Funds Rate*	4.33	4.33	4.33	0.00
10-Year U.S. Treasury**	4.57	4.21	4.56	(0.36)

- The general macro environment still seems supportive of the economy on the margin, but high valuations combined with continued inflationary pressure and geopolitical uncertainty are reasons to remain cautious.
- January CPI came in hotter than expected at 0.5% versus consensus estimates of 0.3%. Additionally, the previous month's reading was revised significantly higher. Inflation is still a concern.
- The takeaway is to remain vigilant as high market multiples combined with uncertainty can facilitate sharper moves in volatility and increase headline risk.

*Contributions to CPI MoM%****



Source: Bloomberg as of January 31, 2024. *As of December 31, 2024. **As of February 28, 2025. ***As of March 4, 2025.

U.S. Equity Markets

	MTD %	YTD %	1 Yr %
Consumer Staples	5.70	7.85	19.25
Real Estate	4.23	6.14	14.30
Energy	3.97	6.13	9.16
Utilities	1.69	4.67	31.74
Health Care	1.49	8.38	4.56
Financials	1.41	8.02	31.35
Materials	(0.02)	5.58	3.16
S&P 500	*(1.31)*	*1.44*	*18.38*
Technology	(1.33)	(4.19)	18.44
Industrials	(1.44)	3.52	14.26
Communications Services	(6.29)	2.26	29.18
Consumer Discretionary	(9.37)	(5.38)	17.42

MTD (%)

	Value	Core	Growth
Large	0.4	-1.7	-3.6
Mid	-1.8	-2.8	-5.7
Small	-3.8	-5.4	-6.8

YTD (%)

	Value	Core	Growth
Large	5.1	1.4	-1.7
Mid	1.6	1.3	0.3
Small	-1.9	-2.9	-3.8

Best

- ***Real Estate*** and ***Consumer Staples*** had strong months relative to the broader S&P 500, each posting returns of 4%+ in February, while the ***Energy*** sector returned just under 4%. All three sectors have benefitted from a rotation within the index away from Consumer Discretionary and Communication Services.

Worst

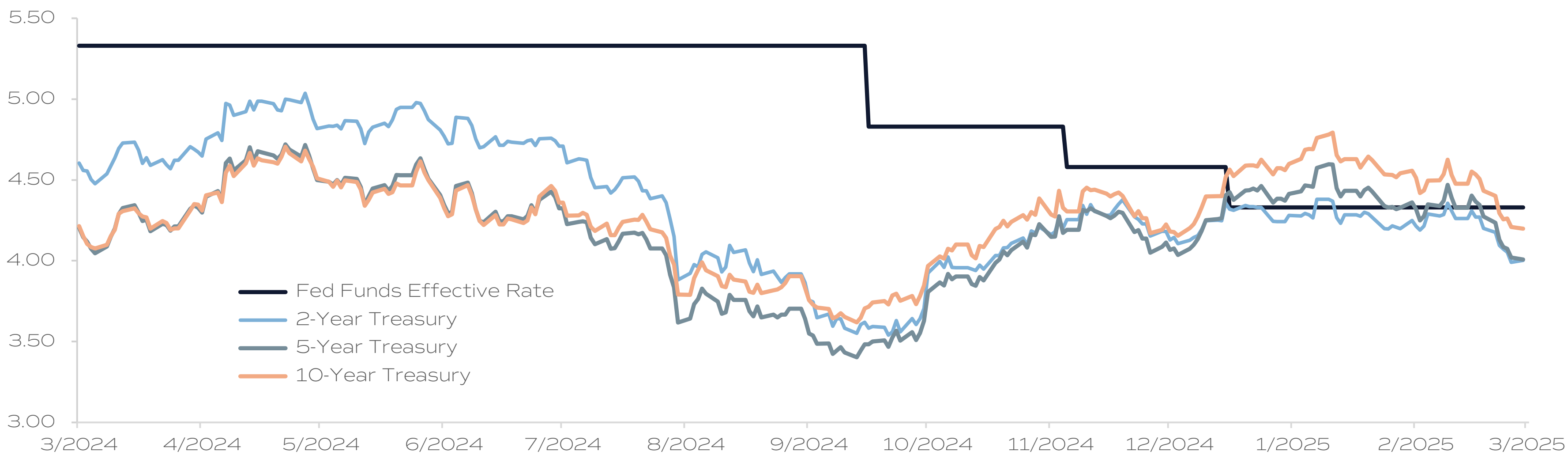
- Of the eleven S&P 500 sectors, ***Consumer Discretionary*** was the largest underperformer, trailing the S&P 500 by 8%. This underperformance is likely explained by weaker consumer confidence, which may have led to reduced spending on non-essential goods.

- February was a down month for most U.S. styles and capitalizations. Only large-cap value stocks had a positive return on the month.
- Toward the end of February, we saw a downturn in the market that trimmed some of the stretched valuations we had been experiencing in the market. Generally, this affected growth stocks more than value stocks.
- International stocks outperformed U.S.-based stocks significantly on the month. Both emerging markets and developed markets had positive returns, while the S&P 500 posted -1.31%.

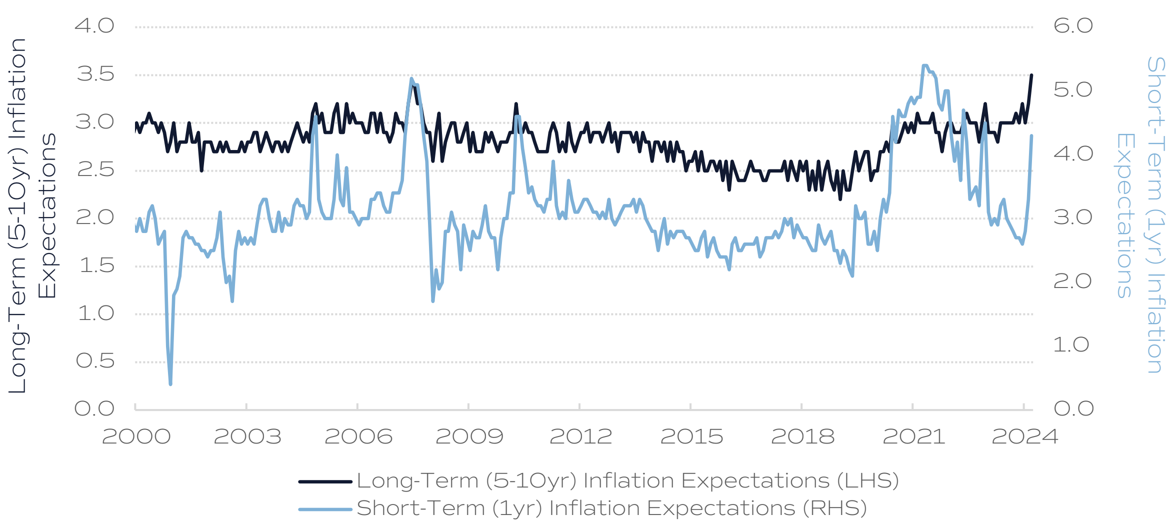
Source: Bloomberg as of February 28, 2025.

Fixed Income

Fed Funds Rate & Treasury Yields



*On the Rise: The University of Michigan's Surveys of Consumers Inflation Expectations**



- Consumer expectations of future inflation have been increasing. The University of Michigan's Surveys of Consumers has posted both short- and long-term inflation expectations that are notably higher in the last few months and significantly above the Fed's 2% target.
- Market-derived inflation expectations have risen substantially over the last month in anticipation of new tariff implementation.

Source: Bloomberg as of February 28, 2025. *Source: University of Michigan's Surveys of Consumers as of February 28, 2025.

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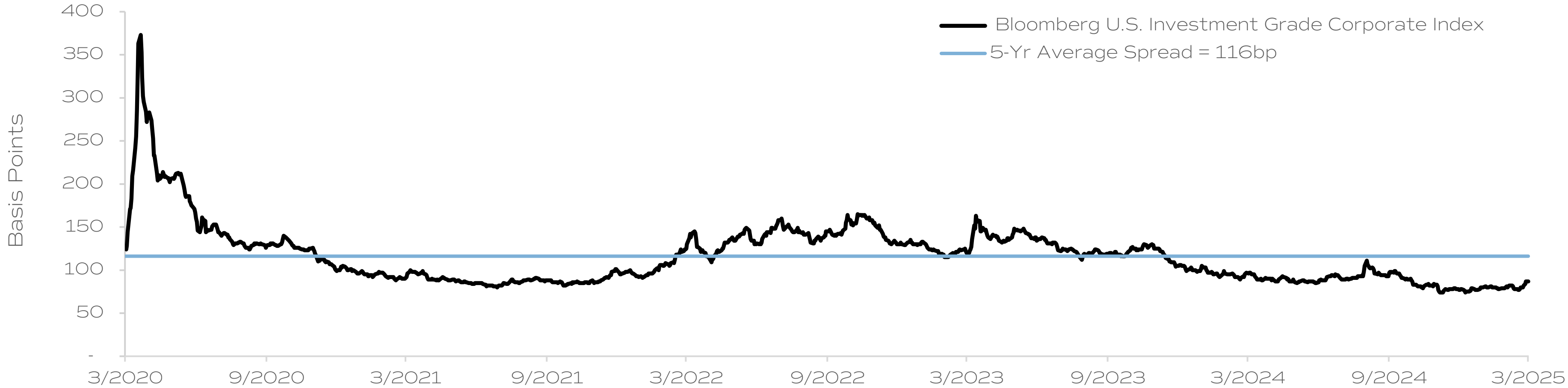
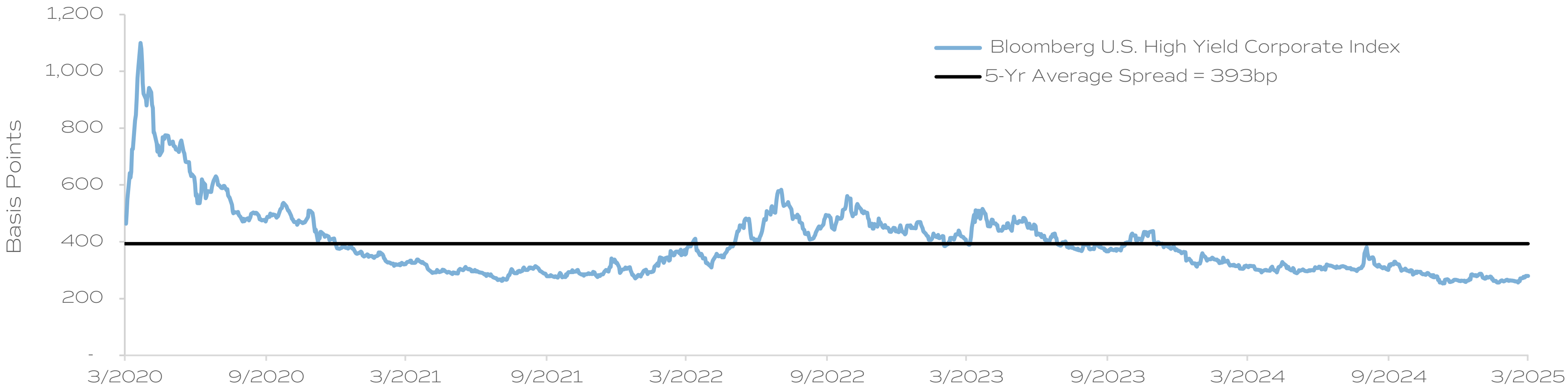
Fixed Income (cnt'd)

Investment-Grade and High-Yield Corporate Bond Spreads

- Investment-grade corporate bond spreads and high-yield spreads have started to move higher after spending months near record-low levels.
- Despite the near-term move higher, spread levels remain significantly below long-term averages, which is an indication that corporate bonds are relatively expensive in relationship to comparable Treasuries.



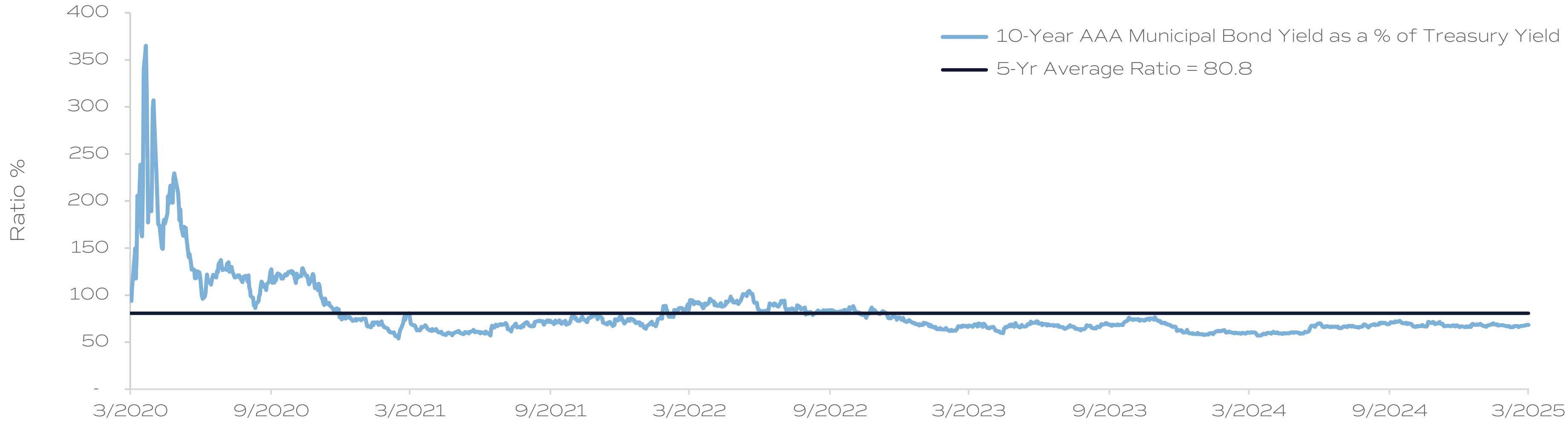


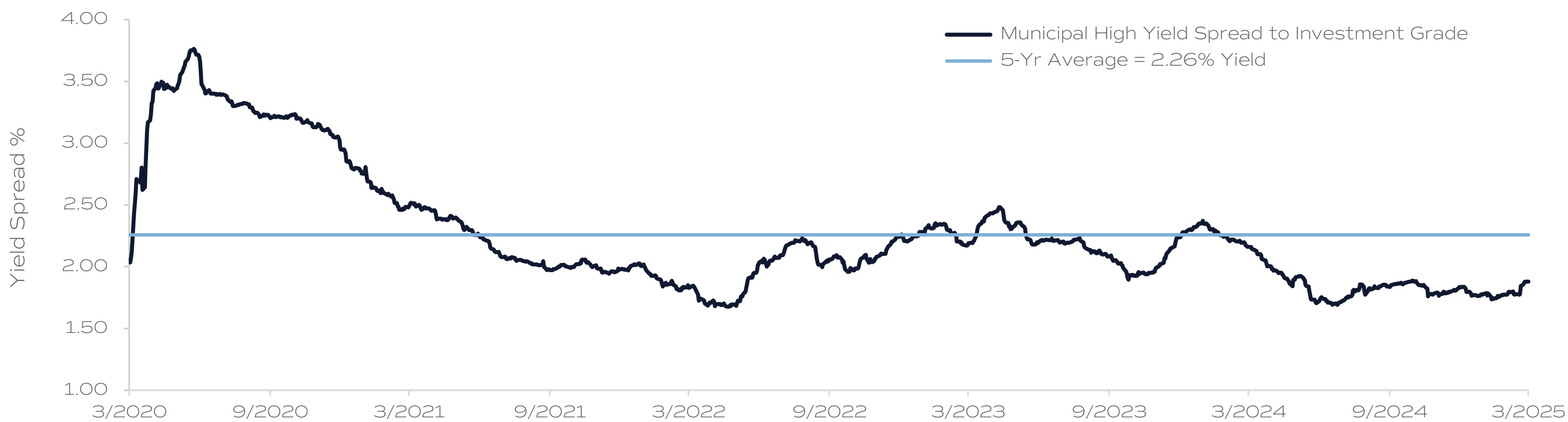
Source: Bloomberg as of February 28, 2025.

Fixed Income (cnt'd)

Investment-Grade and High-Yield Municipal Bond Spreads

- Municipal bonds spreads were little changed over the month.
- Supply should begin to recede in the coming months but remain cautious with lower-credit municipal bonds.





Source: Bloomberg as of February 28, 2025.

Real Assets

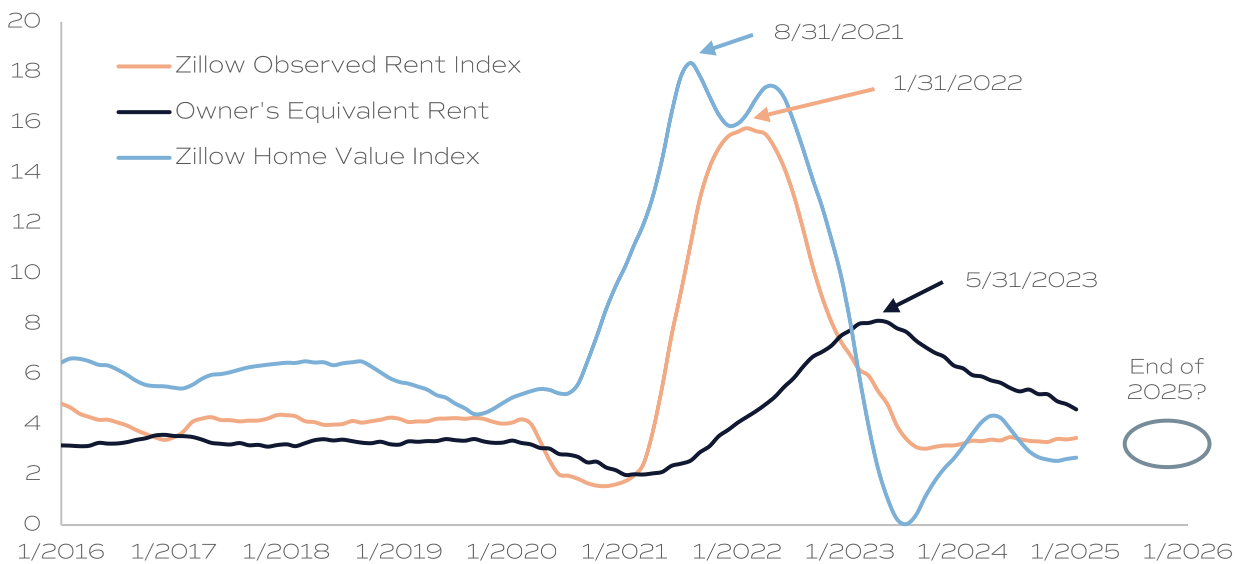
	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NARREIT	775.06	3.62%	4.69%	16.39%
FTSE NARREIT - Timberland	154.49	-0.64%	7.41%	-9.19%
Bloomberg Commodity Index	102.75	0.45%	4.04%	6.26%
Crude Oil (WTI) [bbl.]	69.76	-3.08%	-1.55%	-2.23%
Natural Gas [MMBtu]	3.91	33.90%	15.00%	134.13%
Copper [lb.]	9,358.00	3.43%	6.73%	10.18%
Gold [oz.]	2,857.83	2.12%	8.89%	39.80%
Silver [oz.]	31.15	-0.49%	7.78%	37.37%
Bitcoin	84,212.07	-17.53%	-10.14%	37.08%
Ethereum	2,224.01	-32.98%	-33.54%	-33.62%

Summary: Heightened volatility in risk assets had notable flow-through effects across the various sub-categories within real assets.

Following the late January price swoon, in which Henry Hub natural gas prices declined 25% in just over a week, prices have reversed strongly and were up better than 30% in February.

Cryptocurrencies declined heavily the final week of the month, playing catch up to relatively restrictive liquidity conditions in the global money supply.

Zillow Home Value & Observed Rent Indexes* vs. Owner's Equivalent Rent (CPI-U)**



- Revisiting our owner's equivalent rent chart from the August 2024 recap, housing (approx. 25% of headline CPI) continues to moderate as expected.
- When posted last August, trailing twelve-month OER was 5.38%. That number has since declined to 4.60% and appears to be heading back to the 2017-2019 average of 3.30%.
- If that occurs, it will likely create a drag of 30-35 bps on headline CPI over the course of the year.

Source: Bloomberg as of February 28, 2025. *Source: Zillow as of March 3, 2025. **Source: Bureau of Labor Statistics as of March 3, 2025.

Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	862.95	-0.58%	2.79%	2.79%	15.55%	9.63%	13.33%
U.S. Equity							
S&P 500	5,954.50	-1.31%	1.44%	1.44%	18.38%	12.52%	16.82%
Russell 1000	3,259.07	-1.75%	1.37%	1.37%	18.10%	12.04%	16.51%
Russell Mid Cap	3,572.10	-2.84%	1.29%	1.29%	12.24%	7.16%	12.38%
Russell 2000	2,163.07	-5.35%	-2.87%	-2.87%	6.68%	3.31%	9.35%
International Equity							
MSCI ACWI ex US	343.01	1.40%	5.51%	5.51%	10.18%	5.10%	8.13%
MSCI EAFE	2,422.66	1.95%	7.32%	7.32%	9.28%	6.91%	9.34%
MSCI Europe	187.06	3.42%	10.89%	10.89%	12.03%	8.07%	10.35%
MSCI Japan	1,648.14	-1.20%	0.54%	0.54%	1.47%	5.49%	7.66%
MSCI Emerging Markets	1,097.25	0.50%	2.31%	2.31%	10.56%	0.83%	4.64%
Global Fixed Income							
Bloomberg US Corporate High Yield	2,738.06	0.67%	2.05%	2.05%	10.09%	4.93%	4.93%
Bloomberg Municipal Bond Index	1,355.80	0.99%	1.50%	1.50%	2.96%	0.99%	0.67%
Bloomberg US Corporate Total Return	3,375.11	2.04%	2.60%	2.60%	6.56%	0.38%	0.09%
Bloomberg US Treasury Total Return	2,351.72	2.16%	2.68%	2.68%	4.95%	-1.17%	-1.15%
Bloomberg Global Aggregate	472.74	1.43%	2.01%	2.01%	2.98%	-2.83%	-1.95%
Bloomberg U.S. Aggregate	2,249.06	2.20%	2.74%	2.74%	5.81%	-0.44%	-0.52%
Bloomberg Gov't/Credit	2,605.41	2.10%	2.65%	2.65%	5.53%	-0.53%	-0.58%
Bloomberg High Yield Municipal Bond Index	467.33	1.25%	2.02%	2.02%	8.12%	2.00%	2.15%

Source: Bloomberg as of February 28, 2025.

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Tactical Views

Asset Class	Underweight		Neutral		Overweight
Cash	•	●	•	•	•
Equities	•	•	●	•	•
U.S. Large Cap	•	•	•	●	•
U.S. Mid Cap	•	•	•	●	•
U.S. Small Cap	•	•	•	●	•
Developed Int'l	●	•	•	•	•
Emerging Markets	•	●	•	•	•
Fixed Income	•	•	●	•	•
U.S. Government	•	•	•	●	•
MBS	•	•	●	•	•
Corporates	•	•	●	•	•
Municipals	•	•	•	●	•
High Yield	•	●	•	•	•
Developed Int'l	•	●	•	•	•
Emerging Markets	•	●	•	•	•
Real Assets	•	•	●	•	•
Commodities	•	•	●	•	•
Timberland	•	•	●	•	•
Private Real Estate	•	•	●	•	•
Alternatives	•	•	•	●	•
Hedge Funds	•	•	●	•	•
Private Equity	•	•	•	●	•
Private Debt	•	•	●	•	•

Equity Sectors	Underweight		Neutral		Overweight
Energy	•	•	•	●	•
Healthcare	•	●	•	•	•
Consumer Discretionary	•	•	●	•	•
Industrials	•	•	●	•	•
Technology	•	•	•	●	•
Communications	•	•	●	•	•
Financials	•	•	•	●	•
Real Estate	•	•	•	●	•
Utilities	•	●	•	•	•
Materials	•	•	●	•	•
Consumer Staples	•	●	•	•	•

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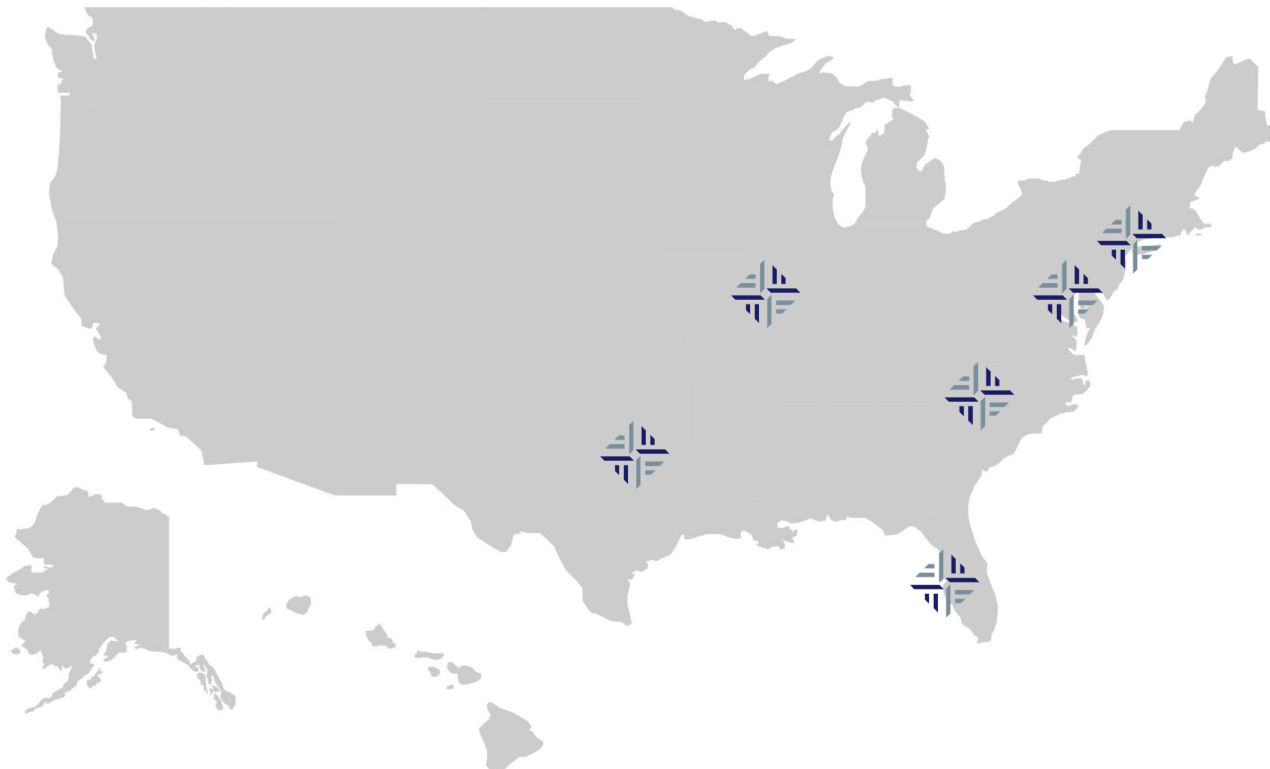

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg US Aggregate Total Return Index USD
High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long
Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
Real Assets: S&P Real Assets
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged
U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD

U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index
U.S. All Cap: Russell 3000 Total Return Index
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
US Value: Russell 3000 Value Total Return Index
US Growth: Russell 3000 Growth Total Return Index
Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index
Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index
Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index
Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index
Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index
EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index
EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index
EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index
EM Value: MSCI Emerging Markets Value Net Total Return USD Index
EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

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Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.