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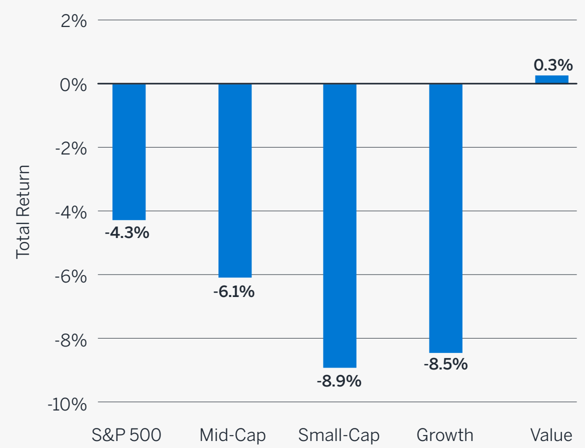
MARKET COMMENTARY – MARCH 2025

1Q2025 MARKET RECAP

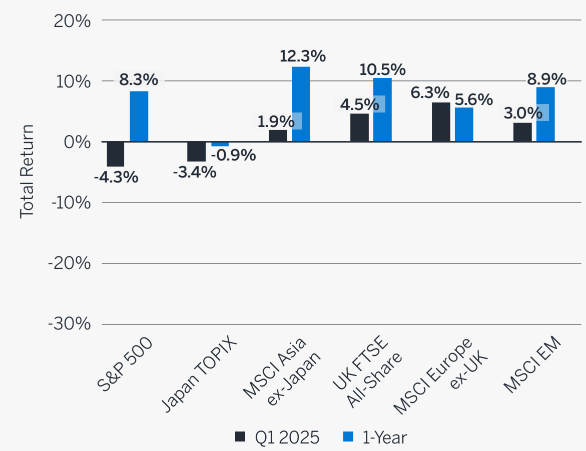
- U.S. equity markets faced significant volatility in the first quarter of 2025, propelled by investor anxiety over geopolitical tensions, impending tariffs, inflation, and economic growth.
  - Despite reaching three new all-time highs during the quarter, U.S. large-cap equities, as measured by the S&P 500 Index, entered correction territory in March after retreating more than 10% from its February peak. Although there was a brief rally at the end of March, the index concluded the quarter with a loss of 4.3%.
    - 8 of the 11 sectors outperformed the top-line benchmark, with the Energy sector leading. The sector closed the quarter with double digit growth, driven by a significant increase in natural gas prices – up roughly 40% over the past six months – and relatively stable oil prices in the first quarter.
    - Defensive sectors like Healthcare, Consumer Staples and Utilities also performed well, suggesting cautious investor sentiment in the face of concerns about economic deceleration and persistent global trade tensions.
    - Growth-oriented sectors such as Technology and Consumer Discretionary experienced a significant decline in the first quarter, enhanced by valuation concerns. Most of the “Magnificent 7” stocks, which had substantially contributed to the exceptional returns seen in 2023 and 2024, faced steep downturns.
      - META(-1.6%), MSFT(-10.9%), AAPL(-11.3%), AMZN (-13.3%), GOOGL(-18.3%), NVDA(-19.3%), TSLA (-35.8%)
  - U.S. mid-cap and small-cap equities underperformed compared to their large-cap counterparts, reflecting uncertainties surrounding economic growth and the potential direction of future Federal Reserve rate cuts.
- In global equity markets, European stocks performed strongly due to changes in fiscal policies aimed at increasing defense spending across the region, along with heightened uncertainty in U.S. markets.
  - Japanese equities finished the quarter lower due to tariff induced fears of a global recession.

Sector	YTD Return	YTD vs. 52-Week High	YTD vs. 52-Week Low	YTD Excess Return vs. S&P 500
S&P 500	-4.3%	-8.5%	14.4%	-
Energy	10.2%	-2.2%	14.0%	14.5%
Health Care	6.5%	-6.0%	8.0%	10.8%
Consumer Stap	5.2%	-3.0%	17.4%	9.5%
Utilities	4.9%	-3.4%	29.6%	9.2%
Real Estate	3.6%	-5.8%	21.3%	7.9%
Financial	3.5%	-4.2%	27.8%	7.8%
Materials	2.8%	-11.4%	4.0%	7.1%
Industrial	-0.2%	-8.1%	10.5%	4.1%
Telecomm	-6.2%	-15.2%	17.1%	-1.9%
Technology	-12.7%	-15.8%	15.6%	-8.4%
Consumer Desc	-13.8%	-19.5%	16.0%	-9.5%

Q1 2025 U.S. Equity Market Returns



World Stock Market Returns



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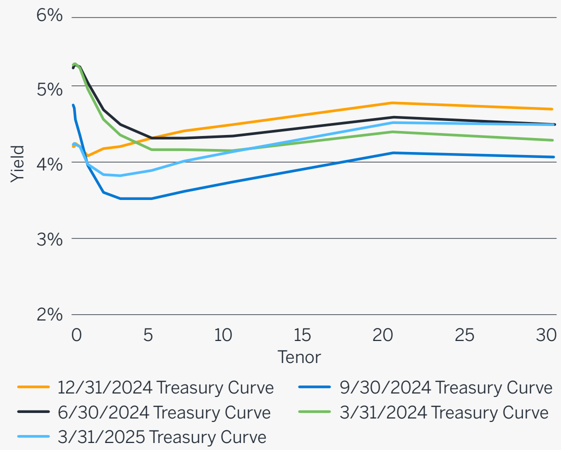
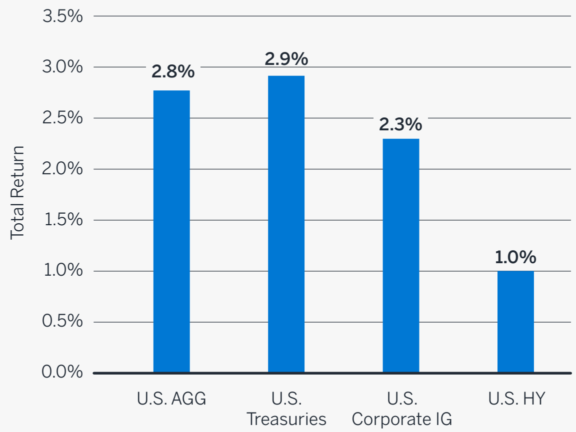
- The treasury markets experienced notable shifts to start off 2025. Yields on shorter term treasuries remained relatively stable while intermediate and long-term yields decreased.
  - Yields on 5-year, 10-year, and 30-year treasuries dropped 43bps, 36bps, and 21bps respectively through the end of the first quarter.
  - Several key factors impacted movements along the yield curve. Strong yet moderating U.S. economic data, with GDP averaging 2.8% in 2024, bolstered investor confidence and increased demand for risk assets. Concurrently, uncertainties surrounding tariffs, trade wars, and inflation prompted a shift towards safer investments, especially at the short end of the curve.
- U.S. bond markets displayed a range of performance across key segments, reflecting the interplay of economic resilience, monetary policy adjustments, and shifting investor sentiment.
  - The U.S. Aggregate index posted a solid gain of 2.8%, driven largely by falling treasury yields in the intermediate to long end of the curve, bolstered by high-quality government-backed securities, which make up nearly 70% of the index.
  - Longer maturities were the standout performers in U.S. treasuries, with the 10-year U.S. Treasury target duration index up over 4% in the first quarter.
  - Corporate bonds outperformed high yield bonds amid tightening credit spreads and investor preference for quality amid economic uncertainty.
- Gold surged to new heights in the first quarter of 2025, reinforcing its role as a leading safe-haven asset in a volatile global environment.
  - Starting the year off at about $2,609 per t oz, gold climbed steadily to $2,900 by February and finished the first quarter at $3,115 per t oz. This marks a nearly 20% gain in the first quarter of 2025. The price up gold has risen over 40% since March of 2024.
  - Several factors are influencing the rush to gold including inflation concerns and persistent central bank buying amid heighted global trade war fears, as countries de-dollarize and diversify away from U.S. assets.

Treasury Yield Curves



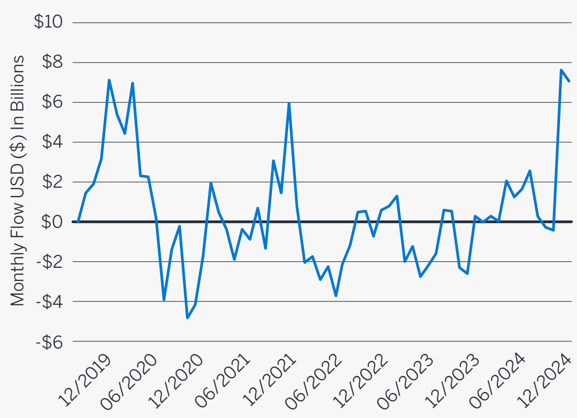
Fixed Income Sector Returns

Q1 2025

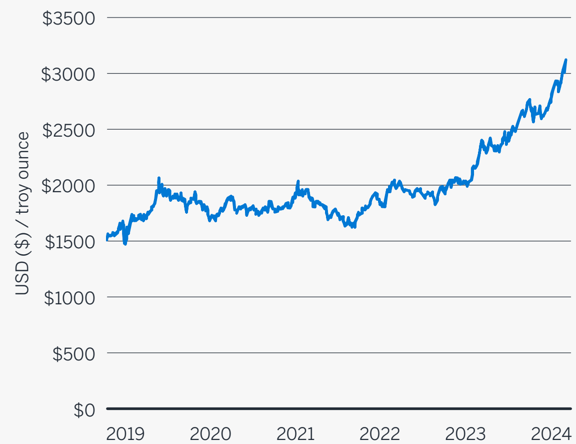


Global Physical Gold ETF Flows

Monthly



Gold



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STRATEGY PERFORMANCE

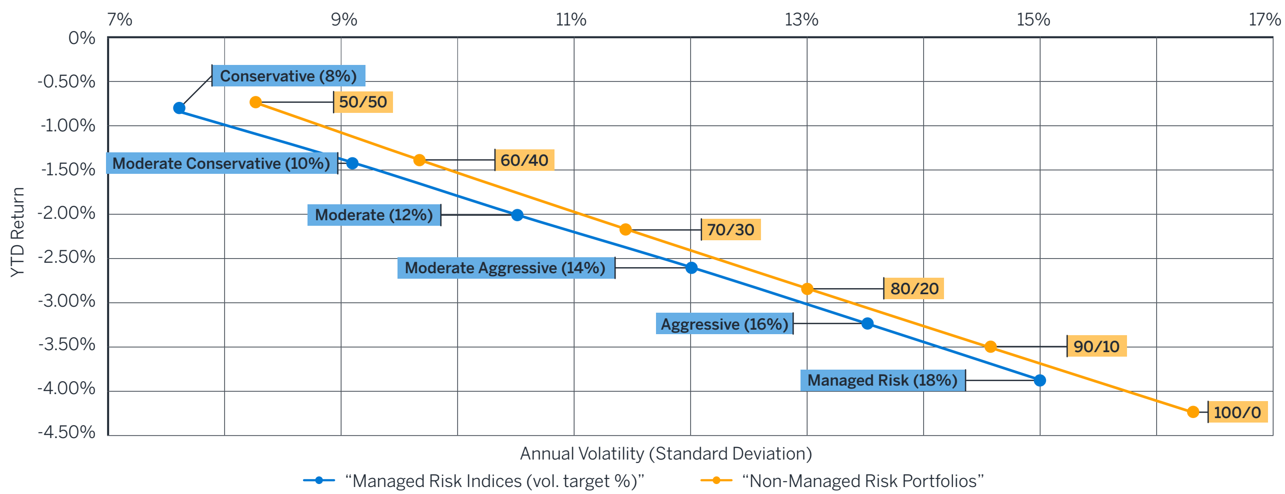
Managed Risk Investments

- Volatility in the first quarter of 2025 was elevated, reflecting a financial landscape shaped by economic transitions, policy shifts, and geopolitical tensions. The CBOE Volatility Index (VIX) started the year off around 17, surged past 27 following the initial tariff announcements.
  - The Federal Reserve's cautious approach to monetary policy as inflation remains stuck above 2% along with trade tensions amplified market jitters.
  - In early March, the U.S. implemented significant tariffs on goods from Canada, Mexico, and China.
    - ***Canada*** – A 25% tariff was imposed on nearly all imports, with an exception for energy resources (oil and natural gas), which will face a reduced 10% tariff.
    - ***Mexico*** – 25% tariff was imposed on all imports from Mexico.
    - ***China*** – An additional 10% tariff was added to existing tariffs on Chinese imports, bringing the total to 20% on most goods.
    - Additionally, separate tariffs on steel and aluminum from all countries went into effect on March 12th at 25%, ending prior exemptions and raising aluminum rate from 10%.
  - Amid heightened volatility and market downturns. managed risk strategies have been able outperform corresponding blends of the S&P 500 and U.S. Aggregate index while reducing volatility.

Defined Outcome

- In the defined outcome space, the January CBOE S&P 500 15% Buffer Protect Index reduced losses during the first quarter.
  - The risk-adjusted return of the Buffered index has historically outperformed that of the S&P 500.

S&P 500 Managed Risk Indices vs. Non-Managed Risk Portfolios*



YTD Total Returns as of March 31, 2025

	S&P 500	70/30 Stock/ Bond Blend*	60/40 Stock/ Bond Blend*	S&P 500 Managed Risk - Moderate Conservative Index (10% Vol Target)	CBOE S&P 500 15% Buffer Protect Index - January Series
YTD	-4.3%	-2.1%	-1.4%	-1.4%	-1.6%
1 Year	8.2%	7.4%	7.1%	6.3%	6.7%
5 Year	18.6%	12.9%	11.0%	8.0%	10.5%
10 Year	12.5%	9.5%	8.4%	6.8%	6.9%
1YR Vol	13.9%	10.0%	8.8%	8.3%	6.0%
5YR Vol	17.6%	12.7%	11.1%	7.8%	9.3%
10YR Vol	17.9%	12.6%	10.9%	7.5%	9.2%
1YR Risk Adjusted	0.59	0.74	0.81	0.75	1.11
5YR Risk Adjusted	1.05	1.02	0.99	1.02	1.14
10YR Risk Adjusted	0.70	0.75	0.77	0.91	0.75
1YR Max Drawdown	-10.0%	-6.7%	-5.6%	-5.3%	-4.9%
5YR Max Drawdown	-24.5%	-21.4%	-20.6%	-16.0%	-11.2%
10YR Max Drawdown	-33.8%	-24.7%	-21.5%	-16.0%	-20.0%

**Portfolio represented by the S&P 500 Index and the Bloomberg US Agg Index*

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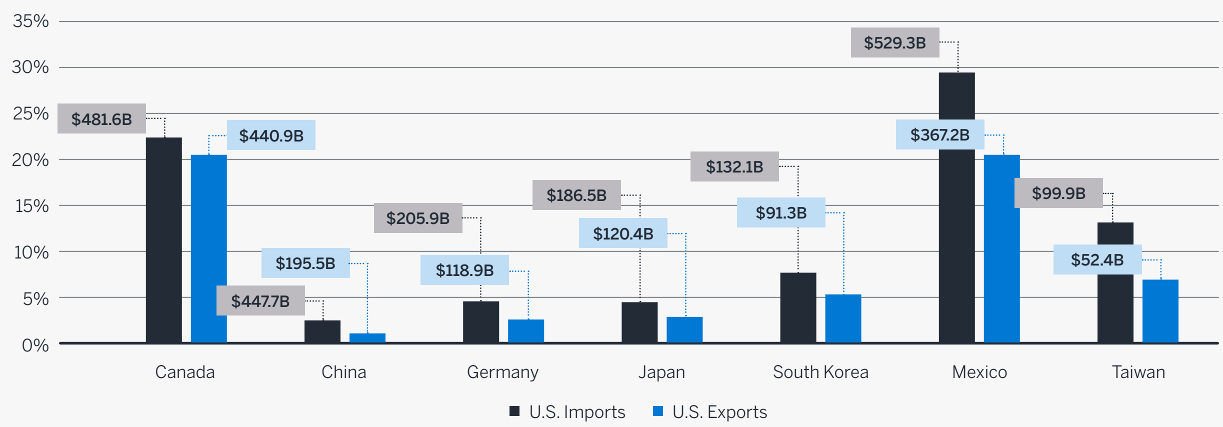
OUTLOOK

- "Liberation Day", as declared by the current U.S. administration on April 2, 2025, marked a pivotal moment in U.S. economic policy, characterized by the implementation of sweeping tariffs aimed at reshaping the global trade landscape. The policy aimed to target nations and their territories with substantial trade deficits with the U.S. with reciprocal tariffs.
- The signed executive order instituted a baseline 10% tariff on virtually all imports into the United States, with significantly higher rates applied to specific countries:
- Equity markets have continued to oscillate in reaction to the tariff news as the administration and our trading partners work to negotiate new trade deals.
- Bond markets continue to navigate the changing landscape as well. The rally observed in 10-year treasuries has been tempered by selling pressure as tariff driven inflation fears clashed with recession fears, creating a volatile yield environment.
  - The U.S. has over $9T debt maturing in 2025, with much of it needing to be refinanced. With the prior administrations reliance on short term issuances coming due, pushing this debt out along to later maturities can be challenging if yields continue to spike.
  - Further complicating the yield environment is the uncertainty about future rate cuts, as policy makers weigh the impact of tariffs on already sticky consumer prices.
- Market sentiment is cautious heading into Q2 2025, with rising volatility and recessions fears tempered by resilient corporate earnings and potential Federal Reserve rate adjustments. Managing risk will be key as policy shifts and economic data shape the outlook.

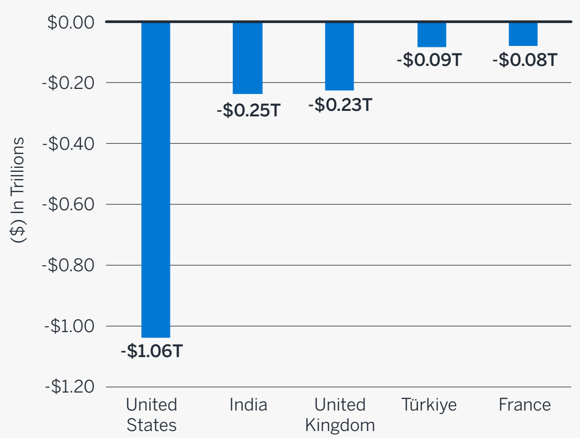
U.S. Imports and Exports as a share of trading partners' GDP

2023

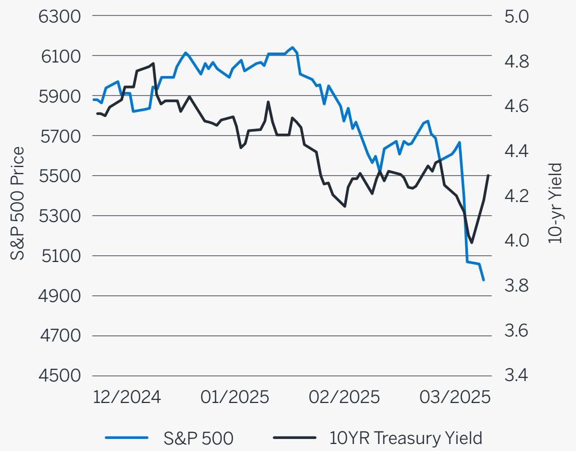


Top 5 Countries with Largest Trade Deficit

2023



S&P 500 vs. 10 Year Treasury



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All Indices are total return in local currency except for MSCI Asia ex-Japan and MSCI Emerging Markets

S&P 500: widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. **S&P 500 Value:** measures the performance of the large-capitalization value segment in the U.S. equity market. The Index consists of those stocks in the S&P 500 Index exhibiting the strongest value characteristics based on: (i) book value to price ratio; (ii) earnings to price ratio; and (iii) sales to price ratio. **S&P 500 Growth:** measures the performance of the large-capitalization growth segment in the U.S. equity market. The Index consists of those stocks in the S&P 500 Index exhibiting the strongest growth characteristics based on: (i) momentum; (ii) earnings to price ratio; and (iii) sales to price ratio. **Bloomberg US Aggregate Index:** a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. **Bloomberg U.S. Treasury Index:** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the **U.S. Treasury. Bloomberg U.S. Corporate Investment Grade:** measures the investment grade, fixed rate, taxable corporate bond market. **Bloomberg US Corporate High Yield Bond Index:** measures the USD-denominated, high yield, fixed-rate corporate bond market. Tariff data is from the first administration for each president. Treasury Outlays are based on April report produced by U.S. Treasury (https://fiscaldata.treasury.gov/). **PCE deflator:** a measure of the average price increase for personal consumption in the United States. Core excludes the prices of food and energy. **Standard Deviation:** measures volatility in the market or the average amount by which individual data points differ from the mean. **Basis Points (bps):** Standard measure of percentages in finance. One basis point is one hundredth of one percent. **Drawdown:** How much the price of an index or security is down from the peak before it recovers back to the peak.