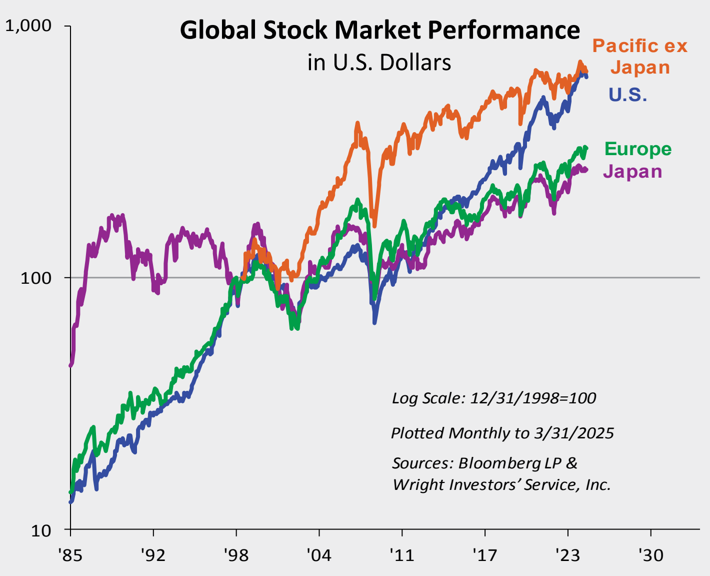
Quarterly Investment Report

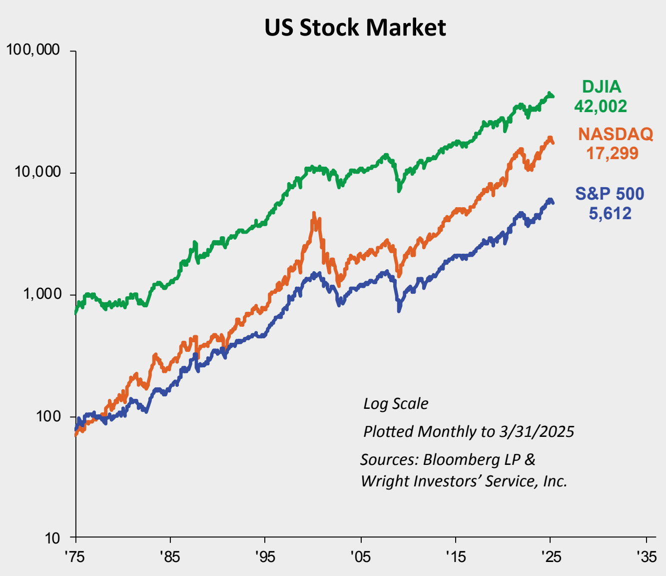
April 2025

US equities ended Q1 2025 in negative territory, with the S&P 500 down -4.3% and the Nasdaq plunging -10.3%, marking their worst quarterly performances since 2022. This decline followed President Trump's threat of new tariffs, raising concerns about a global trade war, economic growth, and inflation. However, the Dow Jones showed resilience, slipping just -0.9%. Large-cap Value stocks outperformed, rising +0.3%, while Small-cap Value stocks dropped -9.9%. Among sectors, Energy led with a +10.2% gain, followed by Healthcare (+6.5%) and Consumer Staples (+5.2%). Consumer Discretionary posted the steepest decline at -13.8%, weighed down by tariff concerns, while Technology slid -12.7%, hurt by the weakest quarterly performance from the Magnificent Seven stocks. International markets fared better, with the UK up +9.7%, Europe ex-UK gaining +10.7%, and China surging +15.0%. The bond market delivered positive returns, as the Bloomberg US Aggregate Bond Index climbed +2.8% for the quarter. Treasury yields fell, while Investment-Grade Credit gained +2.4%. Commodities outperformed, with Copper soaring +25.0%, Gold rallying +18.2%, and Unleaded Gasoline advancing +14.1%. Additionally, the MSCI US REIT Index edged up +0.8% despite a -3.8% decline in March. The US dollar weakened by -2.7%, pressured by rising recession fears linked to President Trump's tariff threats and weakening consumer sentiment, falling -4.6% against the Yen and -4.3% versus the Euro. Meanwhile, economic data showed moderate expansion. The S&P Global Flash US Composite PMI climbed to 53.5, though manufacturing contracted and consumer confidence fell to its lowest since 2021. Unemployment edged up to 4.1%, while inflation held steady at 2.5% year-over-year. The Federal Reserve maintained rates, with potential cuts anticipated in late 2025. Given ongoing market volatility and economic uncertainty, maintaining a diversified investment strategy with a focus on high quality securities remains essential.

US Markets

US markets ended the first quarter of 2025 on a weak note, with all major indices posting losses in March, driven by concerns over macroeconomic conditions, rising input costs, ongoing inflationary pressures, and uncertainty surrounding Federal Reserve policy. The S&P 500 and Nasdaq Composite experienced their worst monthly performance since December 2022, with the S&P 500 dropping -5.6% in March, culminating in a quarterly loss of -4.3%. The Nasdaq Composite fell -8.1% in March, reflecting a -10.3% decline for the quarter, largely due to significant weakness across the Magnificent Seven technology stocks. The Dow Jones Industrial Average fared better, slipping just -0.9% for the quarter despite a -4.1% drop in March, showing resilience amid the broader market turbulence.



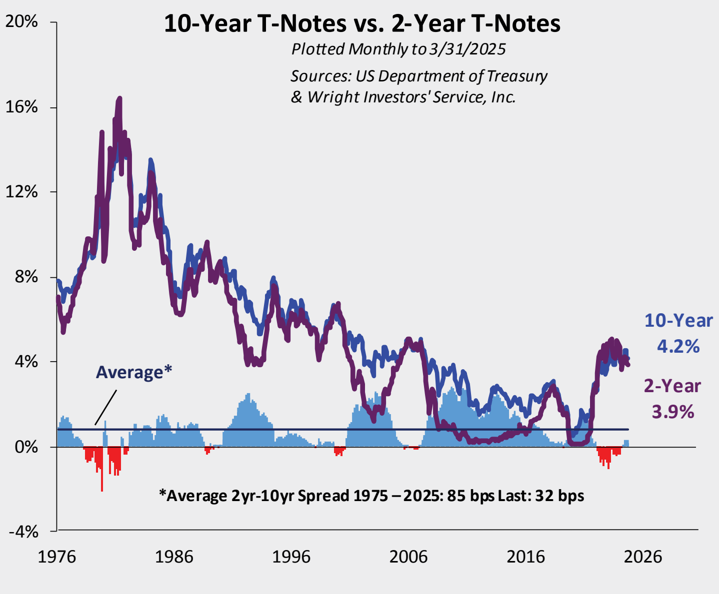


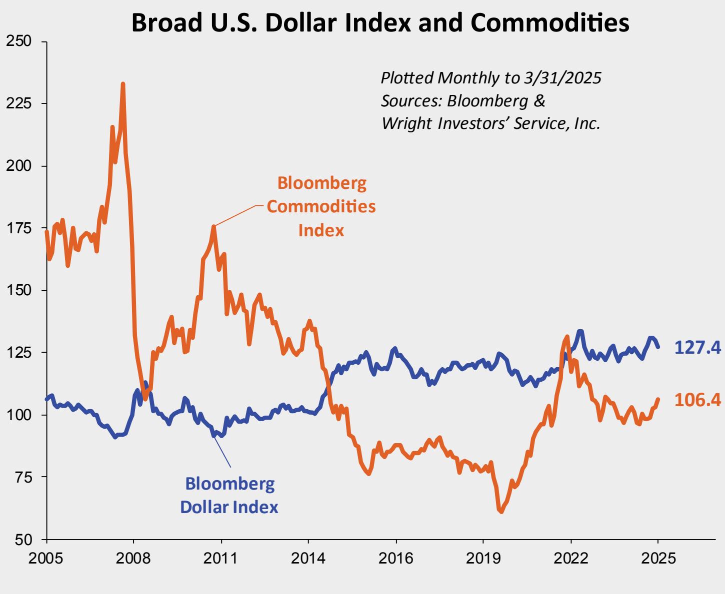
Large-cap Growth stocks saw the steepest declines in Q1, dropping -8.5%, while Large-cap Value stocks managed a slight +0.3% gain. Small-cap Value stocks experienced the most significant losses, down -9.9%, while Mid-cap Growth stocks also struggled, falling -8.4%. Sector performance was mixed. Consumer Discretionary posted the sharpest decline, down -13.8%, as tariff concerns and fears of an economic slowdown took a toll. Energy, on the other hand, led the gains, rising+10.2%, buoyed by increasing oil and natural gas prices, along with below-average valuations that supported growth. Healthcare followed with a +6.5% rise, driven by renewed interest in biotech, while Consumer Staples rose +5.2%, as defensive investors sought refuge amid uncertainty. In March, the largest sector declines came from Information Technology (-8.8%), Consumer Discretionary (-8.9%), and Telecoms (-8.3%). The Utilities sector saw a modest gain of +0.3%, while Energy outperformed with a +3.9% increase. All other sectors posted losses.

Despite overall market weakness, select sectors saw strong earnings growth in Q1 2025. Communication Services (+30.7%), Financials (+22.3%), and Consumer Discretionary (+25.6%) posted solid gains, while Energy (-26.1%) and Industrials (-7.5%) faced declines. Financials led with a +14.5% earnings surprise, while Industrials posted a slight negative surprise (-0.92%). While US sectors experienced positive earnings results, International markets outperformed US equities in Q1 2025. China led the charge with a +15.0% surge, followed by Europe ex-UK and UK, which rose by +10.7% and +9.7%, respectively. Additionally, the US dollar experienced its steepest monthly decline in two years, falling -2.7% in Q1 2025 against major currencies. This was driven by expectations of Federal Reserve rate cuts and rising global economic uncertainty. Trade instability and potential tariffs further pressured the US dollar. A weaker dollar boosted foreign market returns, particularly against the Japanese Yen (-4.6%) and the Euro (-4.3%), benefiting from safe haven flows as stocks tumbled and Treasury yields fell.

In Q1 2025, bond markets showed positive performance, with the Bloomberg US Aggregate Bond Index gaining +2.8%, outperforming the Bloomberg US High Yield Bond Index, which posted a more modest +1.0% return. Similarly, the Bloomberg US Credit Index delivered a +2.4% return, while the Bloomberg Global Aggregate ex-USD gained +2.5%. Treasury yields showed slight changes across maturities during Q1 2025, with the 2-year yield decreasing to 3.88%, the 5-year at 3.95%, and the 10-year remaining steady at 4.21%. The 30-year yield rose to 4.57%, reflecting modest optimism for long-term growth. Despite these adjustments, the yield curve remained inverted at the end of March, signaling persistent economic uncertainty. The spread between the 3-month T-bill and the 2-year Treasury yield widened to -0.41%, signaling concerns about potential slowdowns. Meanwhile, the spread between the 2-year and 5-year yields increased slightly to 0.06%, the 2-year vs. 10-year spread rose to 0.32%, and the 10-year vs. 30-year spread widened slightly to 0.36%, reflecting further normalization of the yield curve. With inflation expectations remaining subdued, investors are navigating the economic landscape with caution, awaiting clearer signals from changes in White House policy, economic data, and the Federal Reserve on future rate cuts.

Commodities outperformed in Q1 2025, with the Bloomberg Commodities Index rising +8.9% for the quarter. Copper surged +25.0%, driven by rising tariff risks, hopes for a recovery in China's property market, and increased demand from the renewable energy sector, pushing US copper prices to record highs. Gold also performed strongly, rising +18.2%, its best quarterly performance since 1986, as fears of a global economic slowdown and geopolitical tensions drove investors to safe-haven assets. Unleaded Gasoline also performed strongly, increasing +14.1%, as supply concerns and rising oil prices supported the energy sector.





However, agricultural commodities struggled, with Corn down -0.3% and Wheat dropping -2.6%. Crude Oil and Heating Oil also saw marginal declines of -0.3%, while Natural Gas rebounded, rising +13.4% amid supply concerns and colder weather. Additionally, the MSCI US REIT Index finished the quarter with a modest gain of +0.8%. However, it faced challenges in March, dropping -3.8% due to pressures primarily driven by rising interest rates and difficulties related to refinancings.

US Economy

March 2025 saw modest business activity expansion, primarily driven by the services sector, while manufacturing faced renewed headwinds. The S&P Global Flash US Composite PMI increased to 53.5 in March, up from 51.6 in February, signaling improved economic conditions and reaching its highest level in three months. Within this broader trend, the services sector saw substantial growth, with the S&P Global Flash US Services PMI climbing to 54.4, up from 51.0 in February. This positive shift was, in part, driven by more favorable weather conditions that helped stimulate higher customer demand. However, despite the improvement in service sector activity, business expectations for the year ahead have moderated significantly, falling to their second-lowest level since October 2022. This decline in expectations underscores the growing caution among businesses as they navigate ongoing economic uncertainties and the potential challenges that lie ahead. In contrast, the manufacturing sector contracted after two months of expansion. The S&P Global Flash US Manufacturing PMI fell to 50.2 from 52.7 in February, signaling a slowdown in factory activity. Manufacturers reported a decline in new orders, with the new orders sub-index reaching its lowest point since May 2023. Rising input prices, especially from increased tariffs and supply chain disruptions, added to the sector's challenges. The labor market showed mixed signals as well. In February 2025, the employment-population ratio dropped by 0.2% to 59.9%, while the labor force participation rate held steady at 62.4%. Total non-farm payroll employment increased by 151,000 jobs, following a downwardly revised gain of 125,000 jobs in January. However, March saw no net job growth, ending a four-month streak of gains. Additionally, the unemployment rate ticked up to 4.1% in February from 4.0% in January, and the Federal Reserve recently revised its year-end unemployment forecast to 4.4%, slightly higher than the previous estimate of 4.3%. Key sectors driving employment growth included healthcare, financial activities, transportation and warehousing, and social assistance. In February, healthcare added 52,000 jobs, closely aligning with its 12-month average of 54,000, highlighting continued stability in this sector. Financial activities followed with a notable gain of 21,000 jobs, significantly surpassing its usual monthly increase of 5,000. Conversely, federal government employment experienced a decline. Although wage growth remained stable, with Average Hourly Earnings showing a year-over-year increase of 4% in the month, down slightly from 4.1% in the previous month, the combination of rising costs and ongoing economic uncertainty led some businesses to reevaluate their hiring strategies and scale back recruitment plans for the foreseeable future.

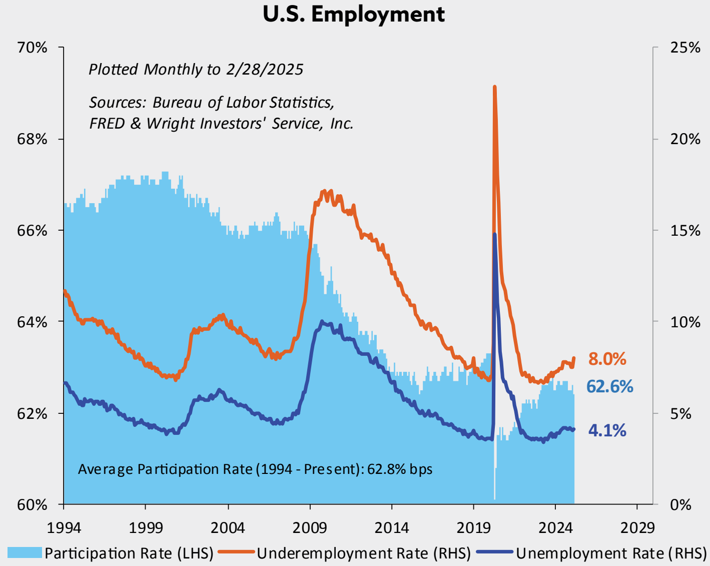
The Federal Reserve held rates steady at 4.5% in March for the second consecutive meeting after three rate cuts in late 2024. Fed Chairman Jerome Powell emphasized that while inflation remains elevated, it has moderated over the past year. Inflation remained at 2.5% year-over-year, but Core PCE Inflation (excluding food and energy) increased to 2.8%, reflecting ongoing price pressures. As of March 2025, the average rate for a 30-year fixed mortgage stood at 6.7%, fluctuating between 6.8% and 7.2% during the quarter. Mortgage rates showed a downward trend, reaching their lowest level in nearly three months.

The U.S. Economy 2022–2025

		% Change In			End of Period Rates	
		Real GDP*	PCE Core Deflator*	Profits from Operations#	90-Day T-Bills	10-Year T-Notes
2022	Q1	**-1.0%**	**6.1%**	**47.6%**	**0.5%**	**2.3%**
	Q2	0.3%	4.8%	36.3%	1.6%	3.0%
	Q3	2.7%	5.2%	20.1%	3.2%	3.8%
	Q4	3.4%	4.7%	12.2%	4.3%	3.9%
2023	Q1	**2.8%**	**4.7%**	**5.2%**	**4.7%**	**3.5%**
	Q2	2.4%	3.8%	2.4%	5.3%	3.8%
	Q3	4.4%	2.4%	-0.9%	5.4%	4.6%
	Q4	3.2%	2.0%	-0.6%	5.3%	3.9%
2024	Q1	**1.6%**	**3.7%**	**0.8%**	**5.4%**	**4.2%**
	Q2	3.0%	2.8%	2.6%	5.4%	4.4%
	Q3	3.1%	2.2%	6.6%	4.6%	3.8%
	Q4	2.4%	2.6%	7.1%	4.3%	4.6%
2025	Q1 e	**1.2%**	**2.6%**	**9.6%**	**4.3%**	**4.2%**
	Q2 e	1.5%	2.6%	9.3%	4.2%	4.3%
	Q3 e	1.6%	2.8%	8.6%	4.1%	4.3%
	Q4 e	1.8%	2.8%	10.2%	3.9%	4.3%

e: Bloomberg Consensus Estimates; *: Quarter-Over-Quarter Annual Rates; #: Year-Over-Year Change in S&P500 EPS Sources: Bloomberg LP, Wright Investors' Service, Inc.

U.S. Employment



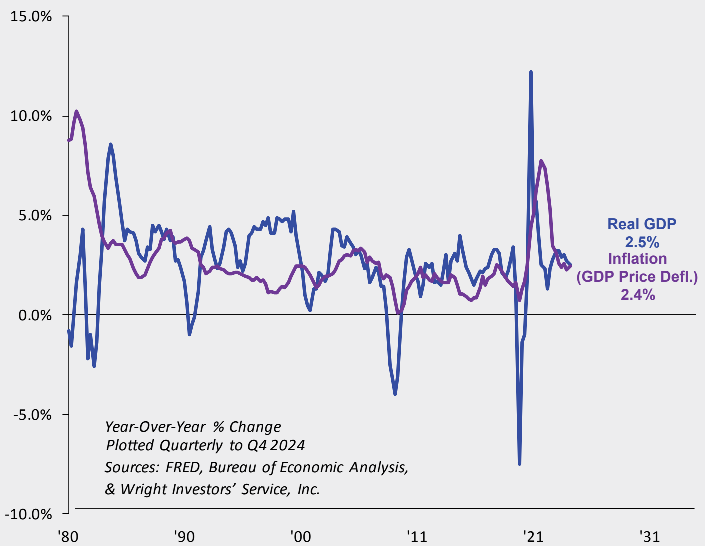
Additionally, the sales of existing homes rose in February, reaching an annual rate of 4.26 million units, up from January's revised 4.09 million, despite ongoing challenges posed by elevated interest rates and high home prices. In February, housing starts were at a seasonally adjusted annual rate of 1.5 million, up 11.2% from January but still 2.9% below the February 2024 rate. Single-family housing starts in February reached a seasonally adjusted annual rate of 1,108,000, marking an 11.4% increase from the revised January figure of 995,000. Meanwhile, building permits were at 1.46 million, which represented a 1.2% decrease from January and a 6.8% decline from February 2024.

Investment Outlook

The US economy remains on a measured yet resilient trajectory, with steady growth offset by weaker consumer sentiment. The Conference Board's Consumer Confidence Index declined to 92.9 in March, marking its lowest level since January 2021, as concerns over trade policies, tariffs, and slowing job growth weighed on households. Economic expansion has been largely supported by the services sector, which benefited from improved weather conditions and steady domestic demand. However, manufacturing momentum has faded following a strong start to the year, as rising input costs and policy uncertainty pressured business activity. In March, prices surged at their fastest pace in nearly two years, particularly in manufacturing, adding to cost pressures across various industries. While inflation remains contained, it keeps Federal Reserve policy under close scrutiny. As price pressures begin to stabilize, speculation over potential rate cuts in late 2025 is intensifying. The economy appears to be on track for a soft landing, with labor markets remaining stable despite more cautious hiring trends.

Nevertheless, cost pressures and shifting policies present ongoing challenges. Global trade tensions and supply chain disruptions continue to pose risks, exacerbated by uncertainty surrounding Trump's policies, which have introduced market volatility and potential trade conflicts. Additionally, increasing concerns over AI's impact on job markets, industries, and long-term economic stability have contributed to investor caution. Given these dynamics, investors must prioritize discipline and adaptability. While economic fundamentals remain intact, risks stemming from inflation, geopolitical developments, and policy shifts underscore the importance of diversification. Investors should remain flexible, prepared for market fluctuations, and focused on long-term resilience. With a mix of potential rate cuts, rising inflation, and evolving trade policies (with significant tariffs announced on April 2, 2025), a well-informed investment strategy with a focus on quality companies is crucial to navigating both immediate challenges and future uncertainties.

Real GDP vs. Inflation



Global Investment Returns In U.S. Dollars

	Q1 2025		Trailing 12 Months	
	Stocks	Bonds	Stocks	Bonds
U.S.	**-4.6%**	**2.8%**	**7.8%**	**4.9%**
Canada	1.1%	2.1%	8.8%	0.3%
Mexico	8.6%	3.2%	-21.3%	5.7%
Japan	**0.3%**	**2.5%**	**-2.1%**	**-3.8%**
Pacific ex Japan	0.3%	0.5%	6.8%	4.1%
Australia	-2.6%	1.8%	-2.2%	-2.2%
China	15.0%	-0.2%	40.4%	5.5%
Hong Kong	4.4%	3.0%	18.3%	7.2%
Europe	**10.5%**	**3.4%**	**6.9%**	**2.1%**
France	10.3%	3.7%	-1.4%	-2.3%
Germany	15.5%	2.3%	19.0%	0.0%
Italy	17.2%	4.1%	14.7%	2.8%
Netherlands	2.0%	1.9%	-10.5%	0.0%
Spain	22.4%	3.4%	24.2%	3.2%
Switzerland	11.4%	0.9%	10.6%	5.0%
U.K.	9.7%	3.6%	14.4%	1.5%
World	**-1.8%**	**2.6%**	**7.0%**	**3.0%**
World ex U.S.	6.2%	2.5%	5.3%	1.5%

Sources: MSCI Stock & Bloomberg Barclays Bond Indexes as of 3/31/2025