



QUARTERLY MARKET PERSPECTIVES

Q1 2025

Q1 2025 REVIEW (as of April 11, 2025)

Note: Due to notable developments following quarter-end, all figures have been updated through April 11, 2025

KEY THEMES

- After another strong year of U.S. stocks outperforming global peers, markets began the new year hitting fresh highs, driven by optimism around the Republican administration and its “America First” agenda. But sentiment shifted after the inauguration, as early enthusiasm for pro-business policies was replaced by concerns over unpredictable trade measures and their potential economic consequences.
- Despite ongoing volatility in early 2025, diversified portfolios performed well across regions and asset classes, offering investors a more balanced path forward during a period of uncertain policy.

FIXED INCOME

- Core bonds performed well in Q1 as rates fell—especially across the 2- to 10-year range—but lost ground after Trump’s surprise tariffs pushed yields higher. Credit spreads widened from historically tight levels amid rising concerns over tariffs and recession risks.
- Trump’s aggressive tariff agenda could introduce divergent shocks to the Fed’s dual mandate—price stability and full employment. Given tariff-related inflationary effects and a still-strong labor market, the Fed is likely to lower interest rates only when there’s clear evidence of an economic slowdown.

EQUITIES

- US stocks posted their worst quarter since 2022, with rising policy uncertainty dragging major indexes lower. Still, there were pockets of relative strength amid the volatility, with investors seeking safety in value-oriented sectors and away from the mega-cap technology leaders of the past two years.
- International markets provided valuable diversification, outperforming US stocks, as a record capital shift to Europe—driven by policy reforms and infrastructure investments in Germany—boosted investor confidence and sparked a rally in defense and industrial stocks.



MARKET DASHBOARD (as of March 31, 2025)

KEY RETURNS AND STATISTICS

Bond Index Returns					Annualized
	Q1	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Municipal 1-10Yr Index	0.7%	0.7%	2.0%	2.0%	1.3%
Bloomberg US Aggregate Bond Index	2.8%	2.8%	4.9%	0.5%	-0.4%
Bloomberg US High Yield Index	1.0%	1.0%	7.7%	5.0%	7.3%

Treasury Yields					
	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
Yield by Maturity	4.0%	3.9%	3.9%	4.2%	4.6%

FX and Commodity Returns					Annualized
	Q1	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Dollar Index	-2.7%	-2.7%	2.3%	2.3%	0.4%
Bloomberg Commodity Index	7.7%	7.7%	6.9%	-5.1%	11.5%
WTI Crude Oil	2.1%	2.1%	-1.3%	0.9%	27.6%
Natural Gas	31.4%	31.4%	35.9%	-36.7%	-16.3%
Copper	25.1%	25.1%	27.3%	3.9%	18.6%
Gold	18.2%	18.2%	39.4%	16.3%	13.2%

Equity Index Returns					Annualized
US Equities	Q1	YTD	1 Yr	3 Yr	5 Yr
Russell 3000	-4.7%	-4.7%	7.2%	8.2%	18.2%
S&P 500	-4.3%	-4.3%	8.3%	9.1%	18.6%
Russell 2000	-9.5%	-9.5%	-4.0%	0.5%	13.3%
Non-US Equities	Q1	YTD	1 Yr	3 Yr	5 Yr
MSCI All Country World ex. US	5.2%	5.2%	6.1%	4.5%	10.9%
MSCI EAFE	6.9%	6.9%	4.9%	6.0%	11.8%
MSCI Emerging Markets	2.9%	2.9%	8.1%	1.4%	7.9%

US Equity Style Box Returns*

Q1				1 Yr			
	Value	Core	Growth		Value	Core	Growth
Large	2.1%	-4.5%	-10.0%	Large	7.2%	7.8%	7.8%
Mid	-2.1%	-3.4%	-7.1%	Mid	2.3%	2.6%	3.6%
Small	-7.7%	-9.5%	-11.1%	Small	-3.1%	-4.0%	-4.9%

Source: Bloomberg. As of March 31, 2025. *US Equity Style Box based on returns for Russell Indices. **Past performance is no guarantee of future results.** See important disclosures on the last page.



MARKET DASHBOARD (as of April 11, 2025)

KEY RETURNS AND STATISTICS

Bond Index Returns					
	Annualized				
	Q2	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Municipal 1-10Yr Index	-1.7%	-1.0%	0.9%	1.7%	0.9%
Bloomberg US Aggregate Bond Index	-1.7%	1.1%	5.3%	0.8%	-0.9%
Bloomberg US High Yield Index	-2.4%	-1.4%	6.1%	4.9%	6.1%

Treasury Yields					
	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
Yield by Maturity	4.0%	4.0%	4.2%	4.5%	4.9%

FX and Commodity Returns					
	Annualized				
	Q2	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Dollar Index	-3.2%	-5.8%	-1.4%	0.7%	-0.2%
Bloomberg Commodity Index	-4.6%	2.8%	-0.8%	-6.9%	9.8%
WTI Crude Oil	-14.2%	-12.4%	-17.6%	-2.1%	20.5%
Natural Gas	-13.4%	13.8%	15.2%	-42.9%	-19.9%
Copper	-10.1%	12.5%	7.6%	1.1%	15.8%
Gold	3.1%	21.9%	35.4%	17.6%	11.8%

Equity Index Returns					
	Annualized				
US Equities	Q2	YTD	1 Yr	3 Yr	5 Yr
Russell 3000	-4.7%	-9.2%	3.5%	7.5%	15.2%
S&P 500	-4.4%	-8.5%	4.6%	8.4%	15.7%
Russell 2000	-7.5%	-16.3%	-7.7%	-0.6%	9.8%
Non-US Equities	Q2	YTD	1 Yr	3 Yr	5 Yr
MSCI All Country World ex. US	-4.2%	0.8%	2.8%	3.8%	9.1%
MSCI EAFE	-4.2%	2.4%	2.7%	5.4%	10.1%
MSCI Emerging Markets	-5.0%	-2.2%	1.5%	0.6%	5.9%

US Equity Style Box Returns*

MTD				YTD			
	Value	Core	Growth		Value	Core	Growth
Large	-6.3%	-4.5%	-2.9%	Large	-4.3%	-8.8%	-12.5%
Mid	-6.9%	-6.3%	-4.2%	Mid	-8.9%	-9.5%	-11.0%
Small	-9.0%	-7.5%	-6.1%	Small	-16.0%	-16.3%	-16.5%

Source: Bloomberg. As of April 11, 2025. *US Equity Style Box based on returns for Russell Indices. **Past performance is no guarantee of future results.** See important disclosures on the last page.



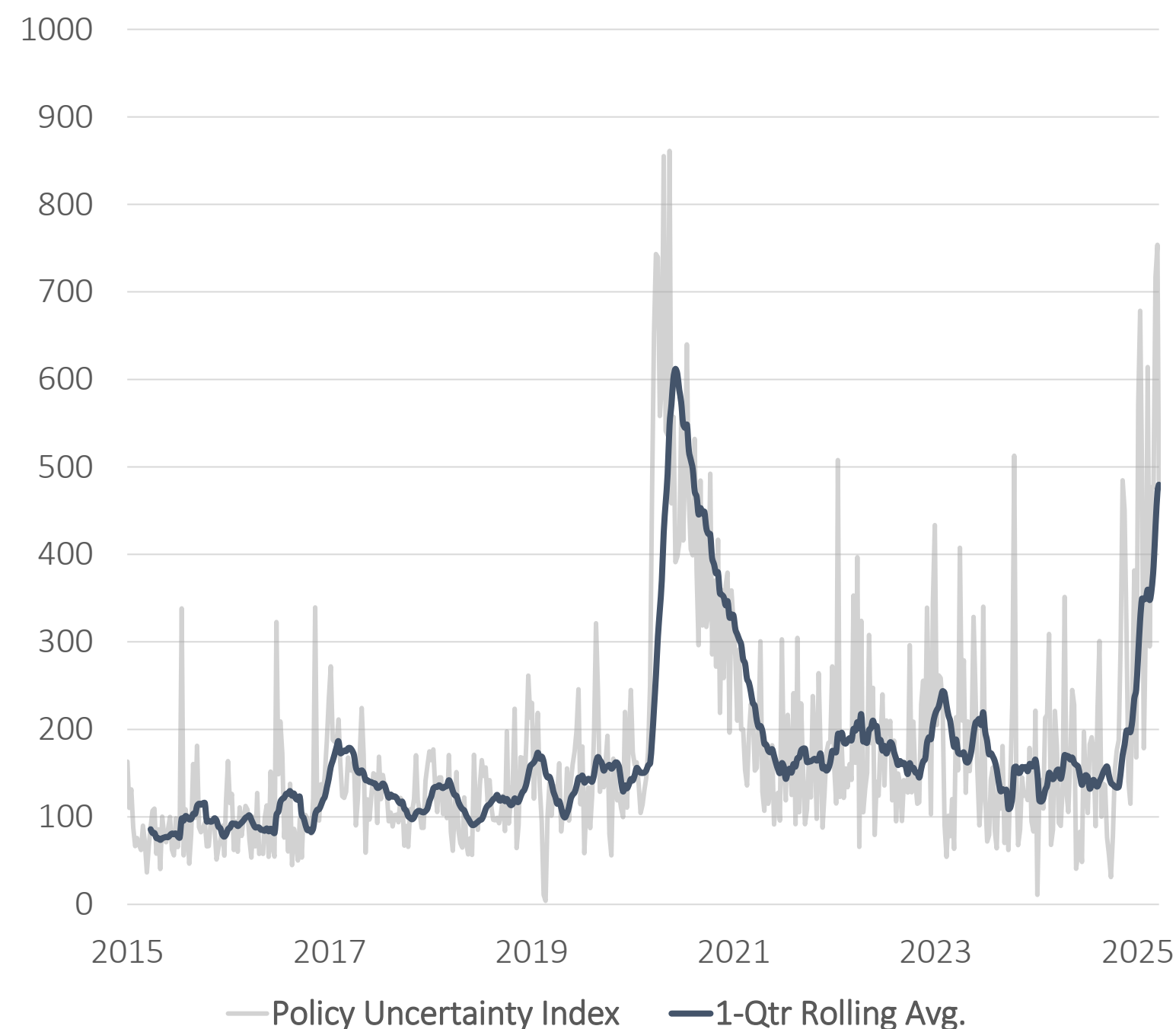
TALKING TARIFFS

RISING TRADE UNCERTAINTY RISKS DERAILING AN ALREADY-SLOWING ECONOMY

The rapidly evolving tariff and trade policy unnerved investors in Q1. Measures of policy uncertainty jumped to extreme levels as concerns grew that the administration's tariff rhetoric may be more than a negotiating tactic.

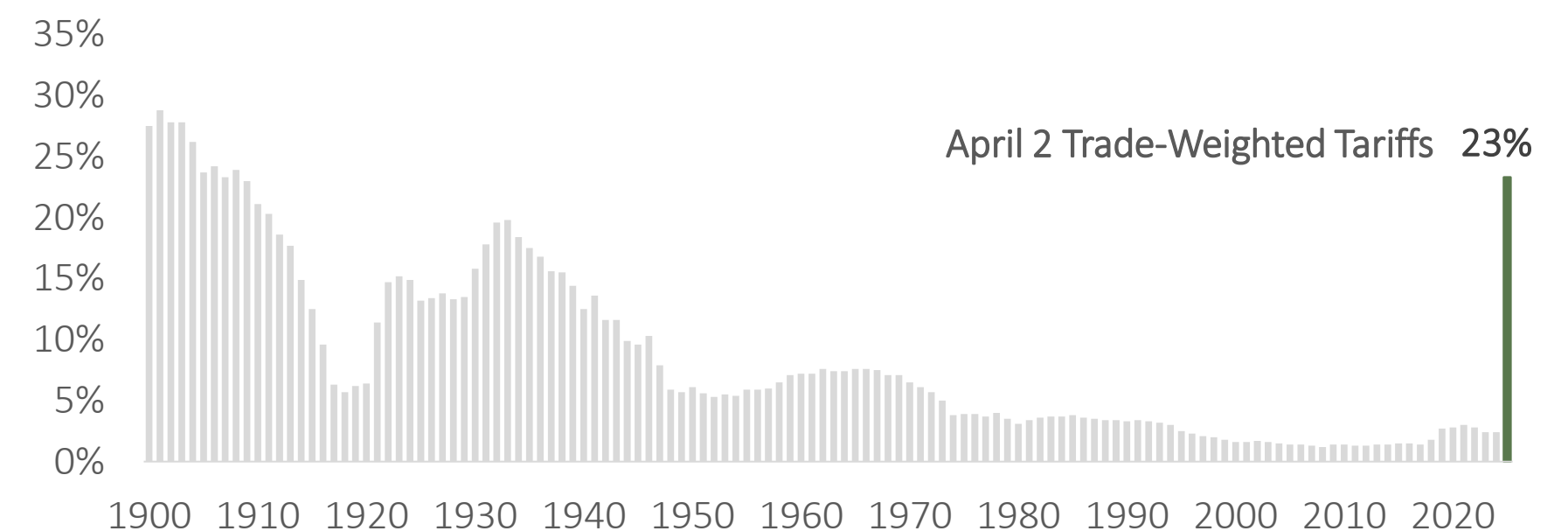
Trump Trade Policy: The Only Certainty is Uncertainty

Baker, Bloom, and Davis Policy Uncertainty Index



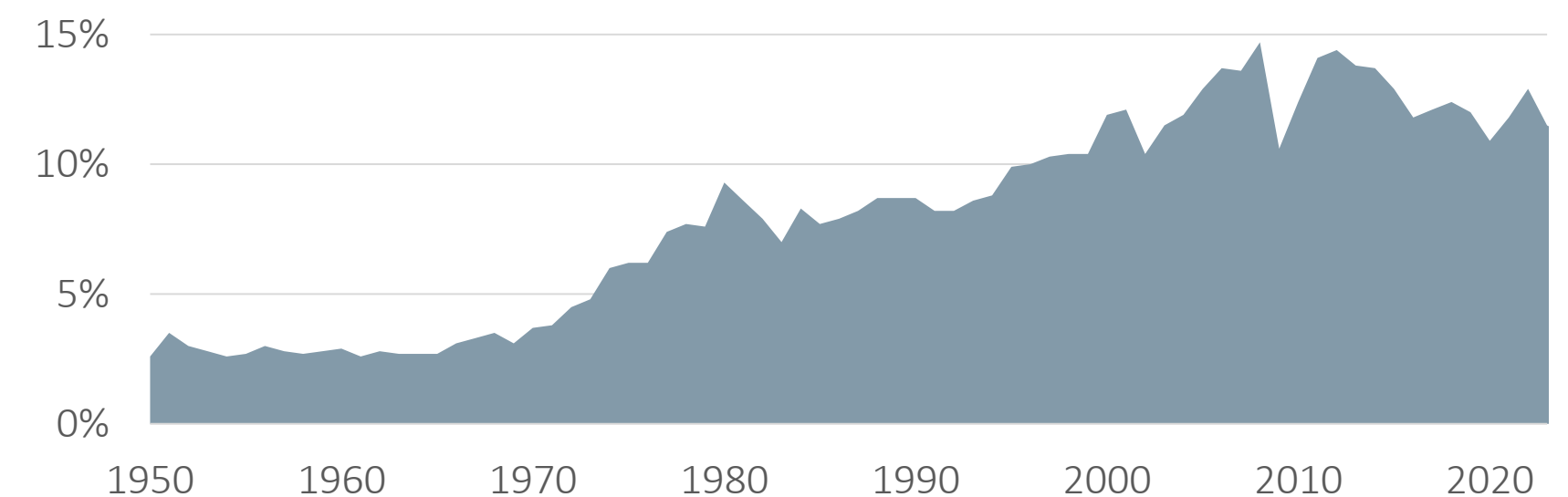
Reversing the Free-Trade Trend

Average Goods-Level Tariffs



US Economy's Rising Reliance on Imports

Imports as % of US GDP



Source: Crescent Grove Advisors, Bloomberg, World Bank. As of April 2, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



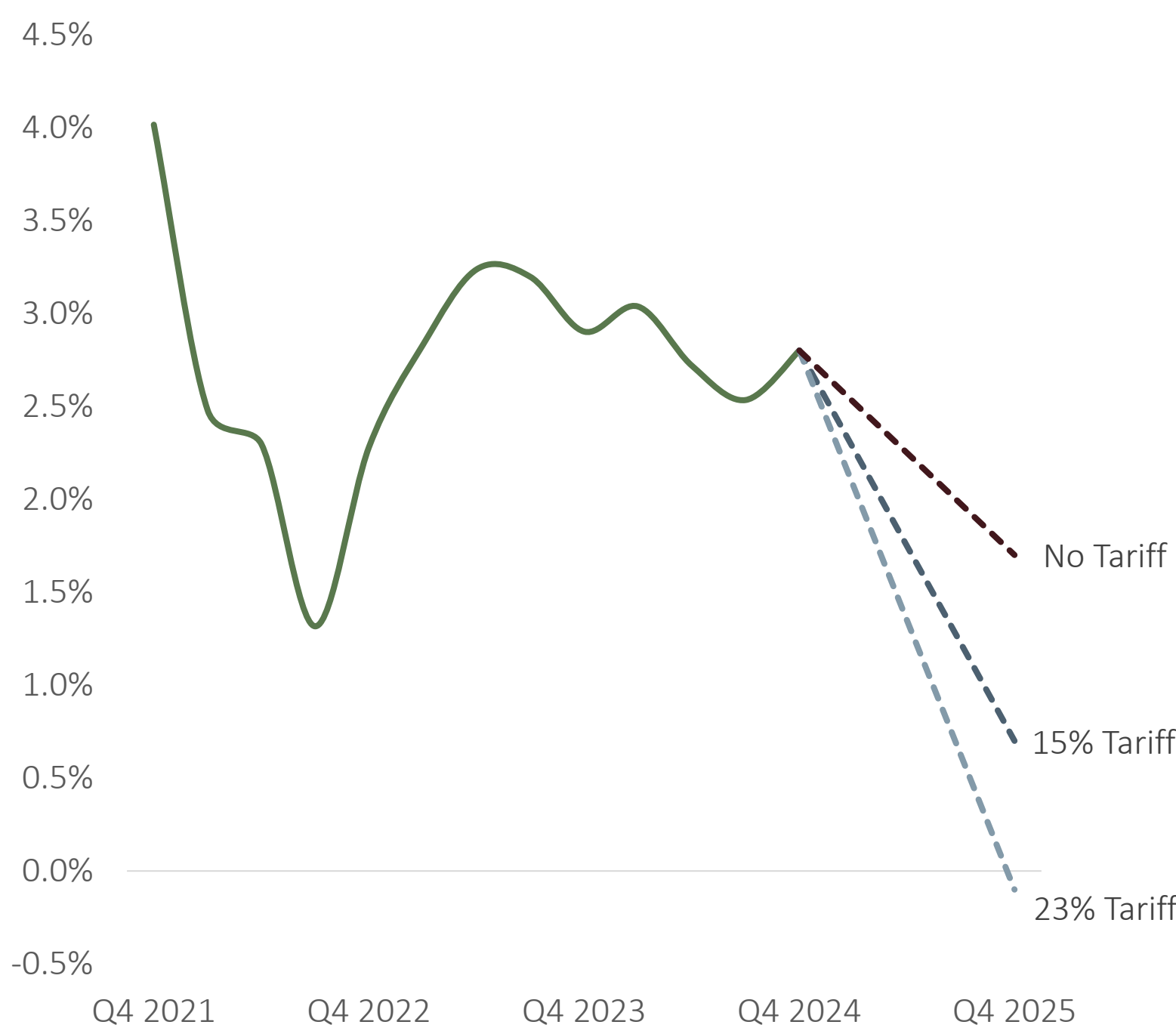
FED SPEAK: BETWEEN A ROCK AND HARD PLACE

A TRADE WAR LIKELY RAISES THE BAR FOR FED RATE CUTS

Trump’s aggressive tariff agenda could introduce divergent shocks to the Fed’s dual mandate—price stability and full employment. Given tariff-related inflationary effects and a still-strong labor market, the Fed is likely to lower interest rates only when there’s clear evidence of an economic slowdown.

US Tariffs: A Shock to the System

GDP Expectations Based on Tariff Levels



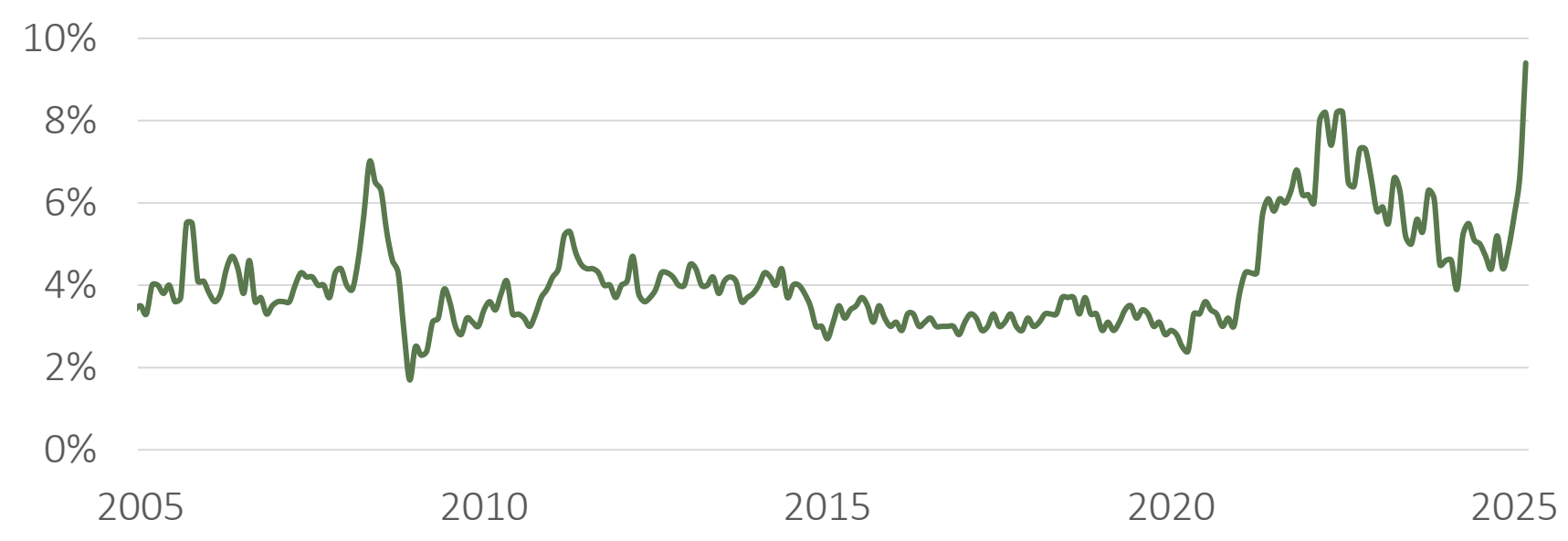
Tariffs Set to Boost Inflation and Risk a Recession

Economic Expectations Based On Tariff Levels

2025 Projections	No Tariffs	15% Tariffs	23% Tariffs
Core CPI (Q4 '25)	2.5%	3.6%	4.1%
Real GDP (Q4 '25)	1.7%	0.7%	-0.1%

More Than A Feeling? Consumers’ Elevated Inflation Expectations

University of Michigan: Expected Price Change Over Next Year



Source: Crescent Grove Advisors, Barclays Research, University of Michigan. As of April 4, 2025. Tariff estimates from Barclays; current estimates without tariffs based on Fed projections. **Past performance is no guarantee of future results.** See important disclosures on the last page.



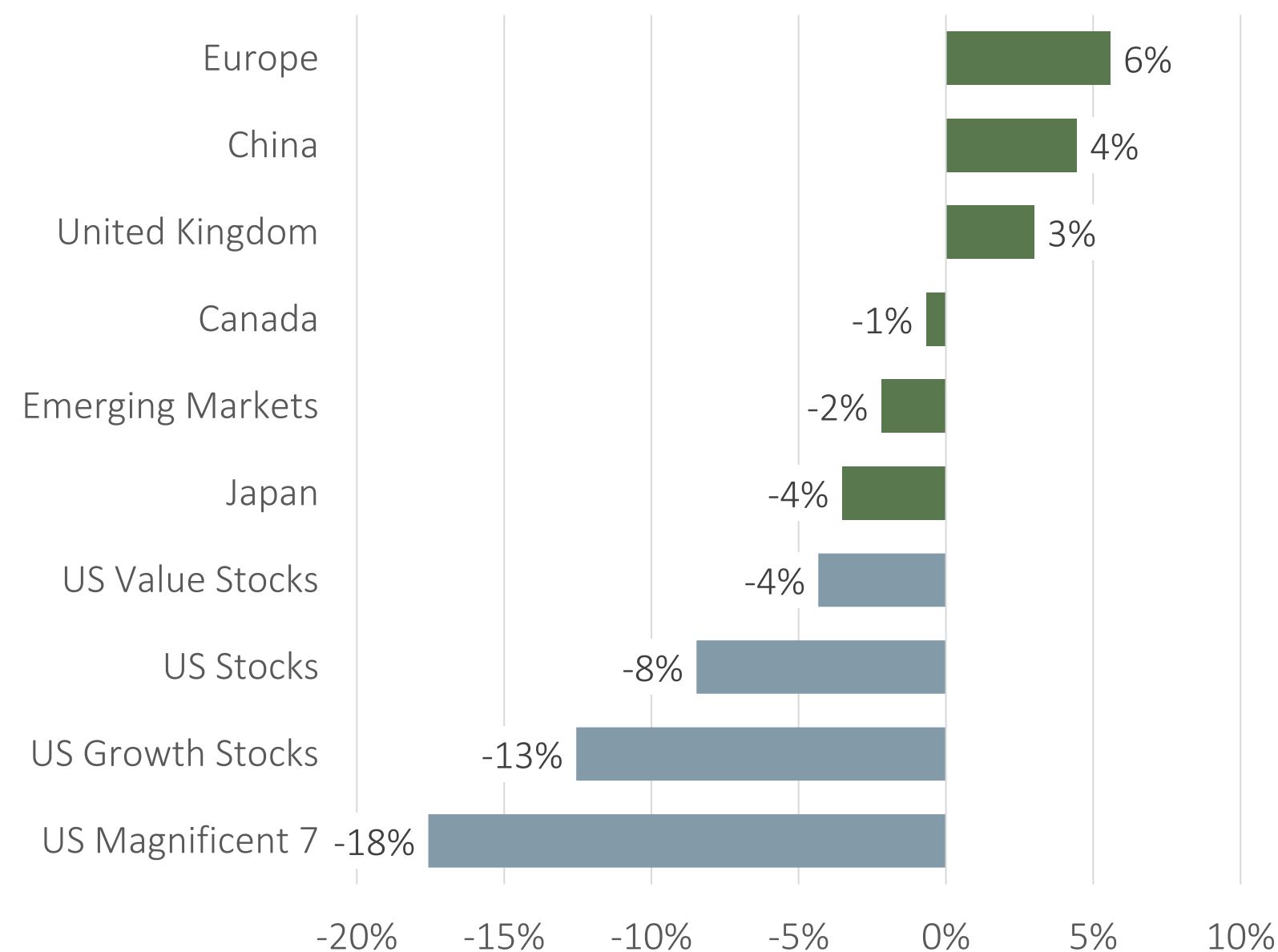
THE CASE FOR PORTFOLIO DIVERSIFICATION

THE QUARTER'S BIGGEST LESSON: DIVERSIFICATION STILL WORKS

Despite ongoing market volatility, diversified portfolios held up relatively well, with bonds providing crucial stability. US growth stocks declined sharply, while US value stocks and international markets outperformed. This shift marks a clear reversal from the dominant trends of the past two years.

Out With US, In With International

YTD Returns (As of April 11)



Diversification Delivers: Global Portfolios Help Cushion the Blow

YTD Returns (as of April 11)



Source: Crescent Grove Advisors, Bloomberg. As of April 11, 2025. Asset classes represented by the following indices: Magnificent 7 (Bloomberg Magnificent 7 Index); US Growth Stock (Russell 1000 Growth Index); US Value Stocks (Russell 3000 Value); US Stocks (S&P 500 Index); Emerging Markets (MSCI Emerging Markets Index); Canada (MSCI Canada Index); United Kingdom (MSCI UK Index); Japan (MSCI Japan Index); China (MSCI China Index); Europe (MSCI Europe Index). Global Portfolio (60% Bloomberg Global Aggregate Index, 40% MSCI ACWI Index). **Past performance is no guarantee of future results.** See important disclosures on the last page.



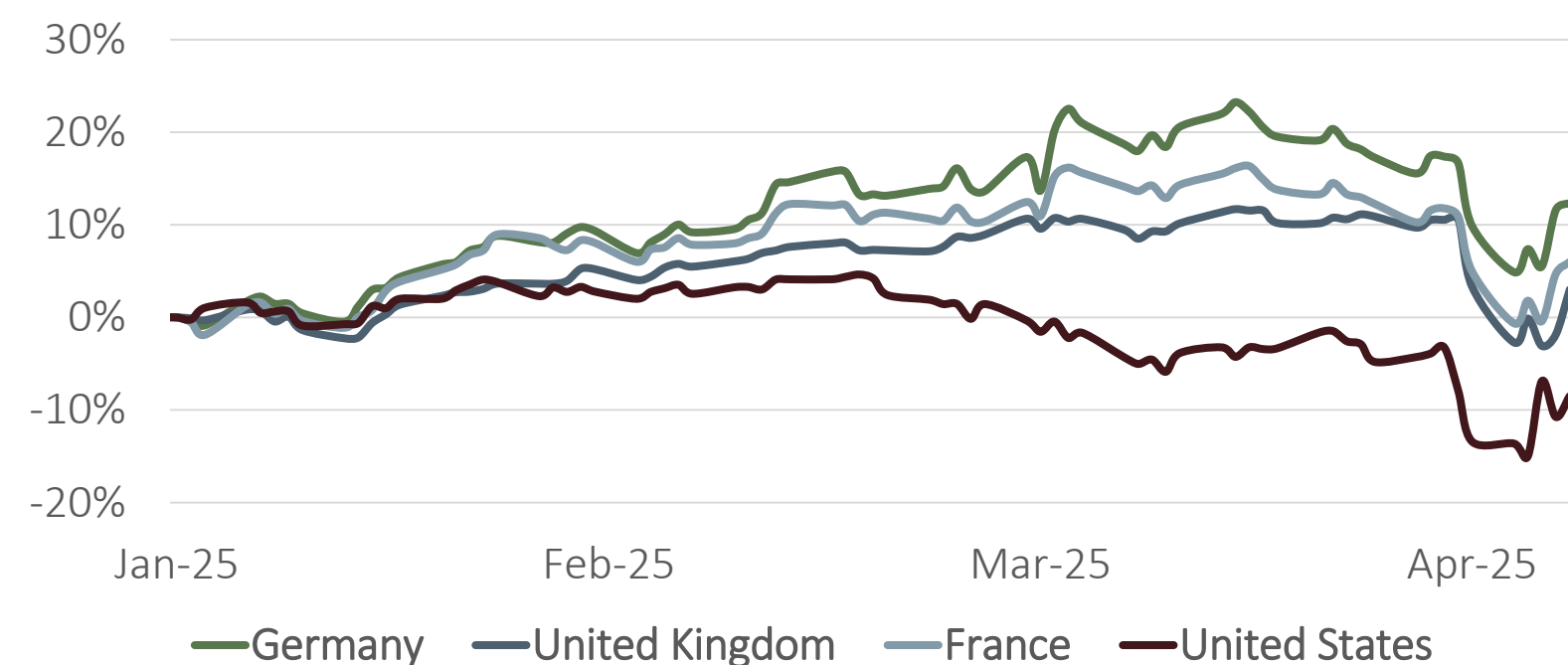
EUROPEAN EXCEPTIONALISM?

A SIGNIFICANT STRUCTURAL CHANGE HAS IGNITED A RALLY AMONG EUROPEAN EQUITIES

An about-face in defense and infrastructure spending—effectively bypassing self-imposed debt restrictions—helped fuel a historic rally for European equities in Q1. European equities have narrowed the valuation gap with the US but remain comparatively more attractive due to lower historical multiples.

Europe's Unloved Stocks Are Now On Top of the World

YTD Returns (as of April 11)



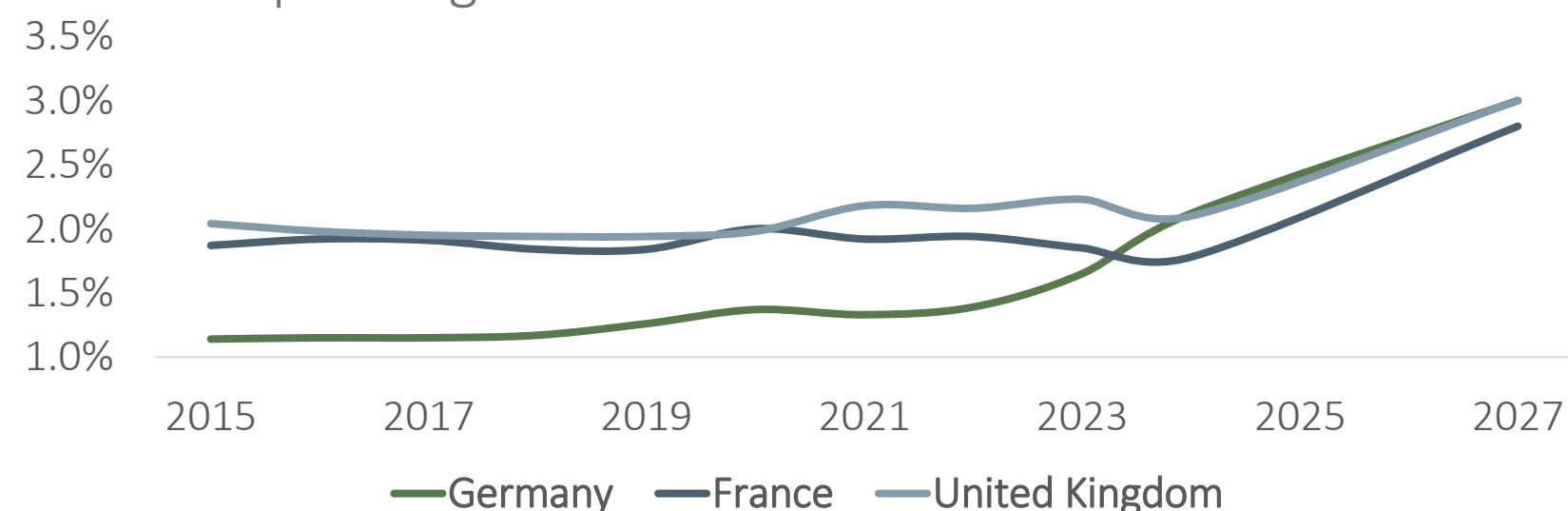
European Data Surprising Positively While US Data Has Disappointed

Citi Economic Surprise Index



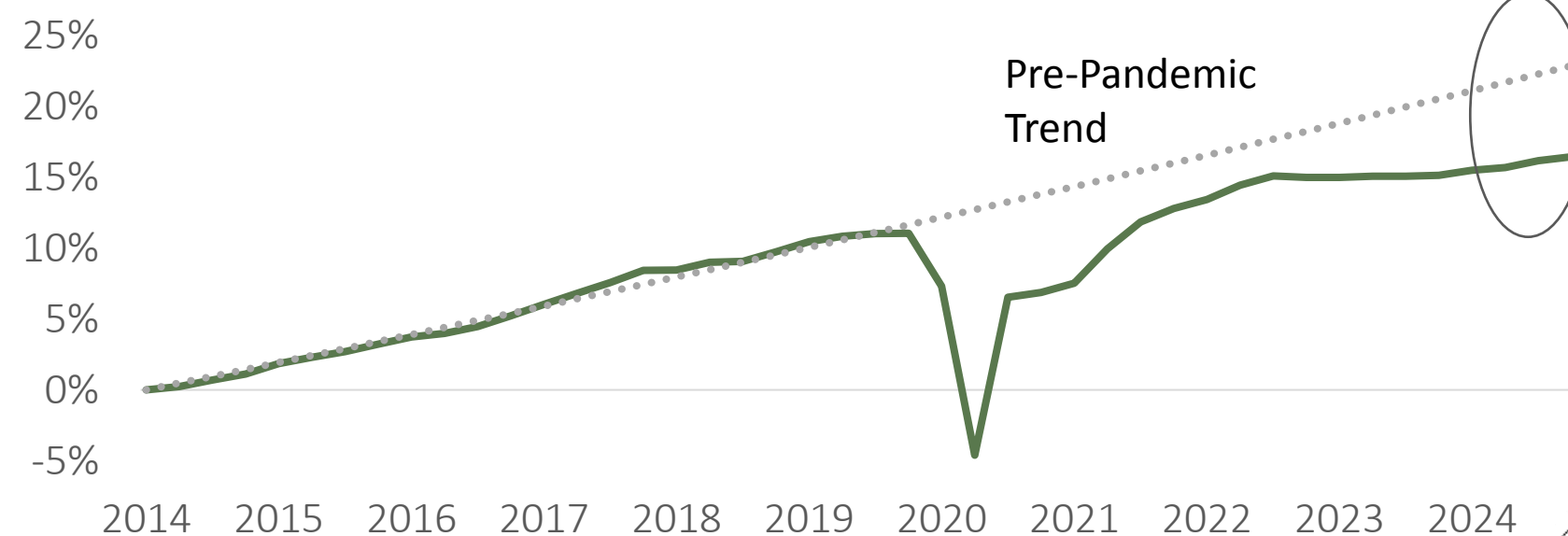
Guns and Butter: European Defense Spending Likely to Rise

Defense Spending as % of GDP



Eurozone Economies Have Persistently Lagged Post-COVID

Eurozone GDP Growth



Source: Crescent Grove Advisors, MSCI, Bloomberg. As of March 31, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



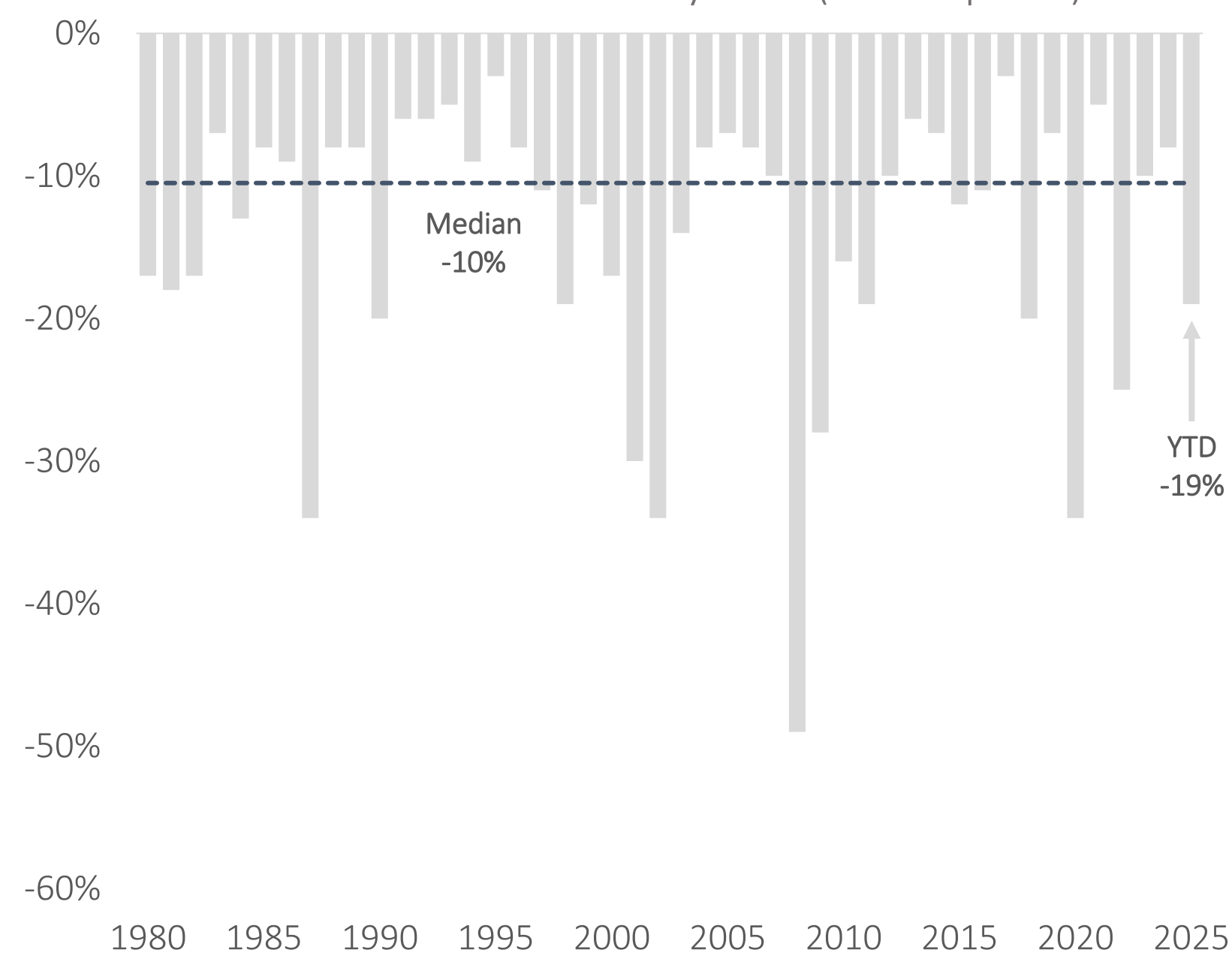
PERSPECTIVE MATTERS: THE CASE FOR STAYING INVESTED

MARKETS CAN BE VOLATILE (AND THAT'S NORMAL)

While stocks have historically trended upward over the long term, market declines are a normal part of investing. Fortunately, most corrections and other challenging patches tend to be short-lived, with markets typically rebounding within 12 months.

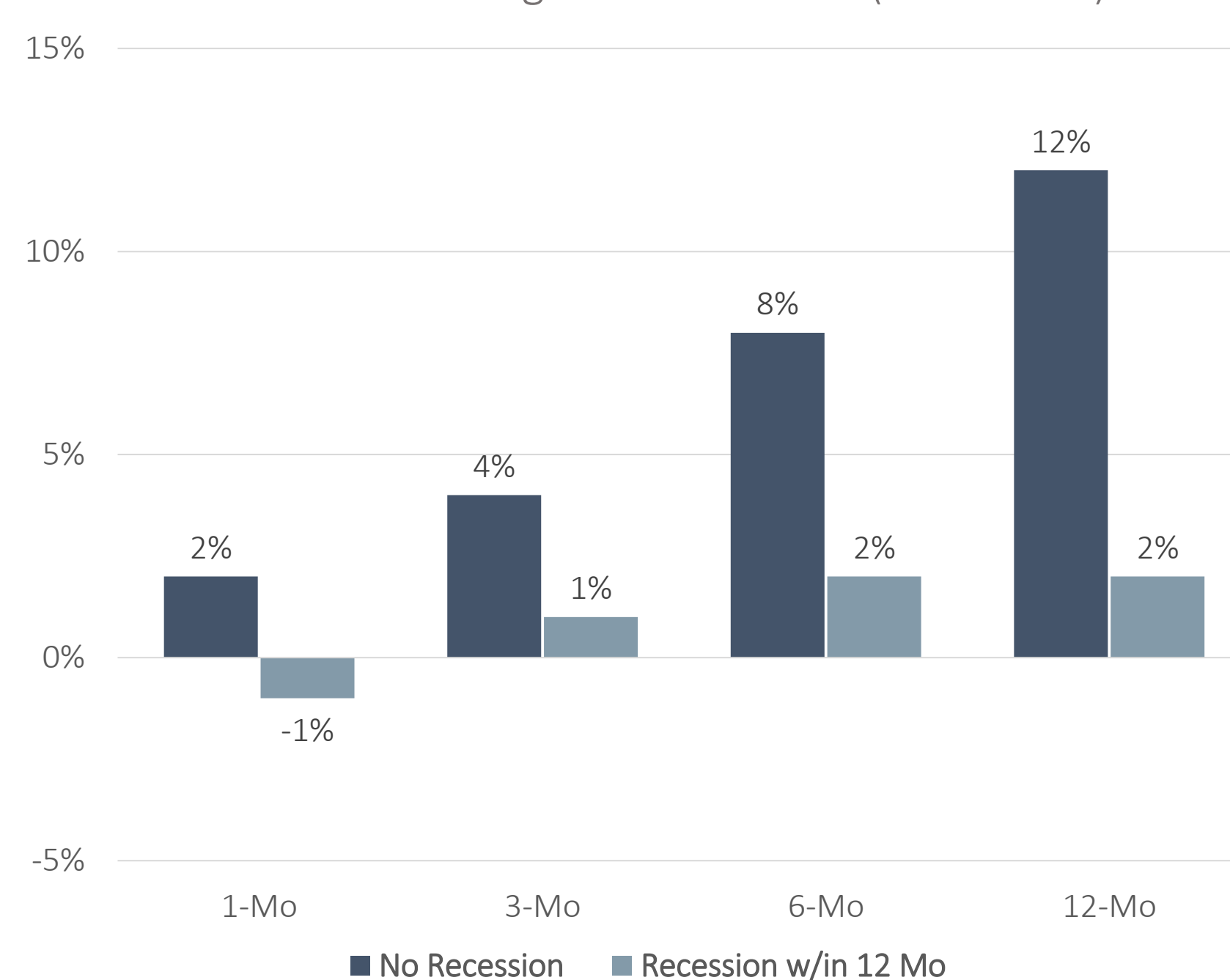
Market Declines Are a Frequent Feature of Investing

S&P 500 Index: Market Declines by Year (as of Apr 11)



Markets Typically Rebound After Corrections, Regardless of Backdrop

S&P 500 Returns Following 10% Correction (since 1950)



Source: Crescent Grove Advisors, Bloomberg. Goldman Sachs Global Investment Research. As of April 11, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



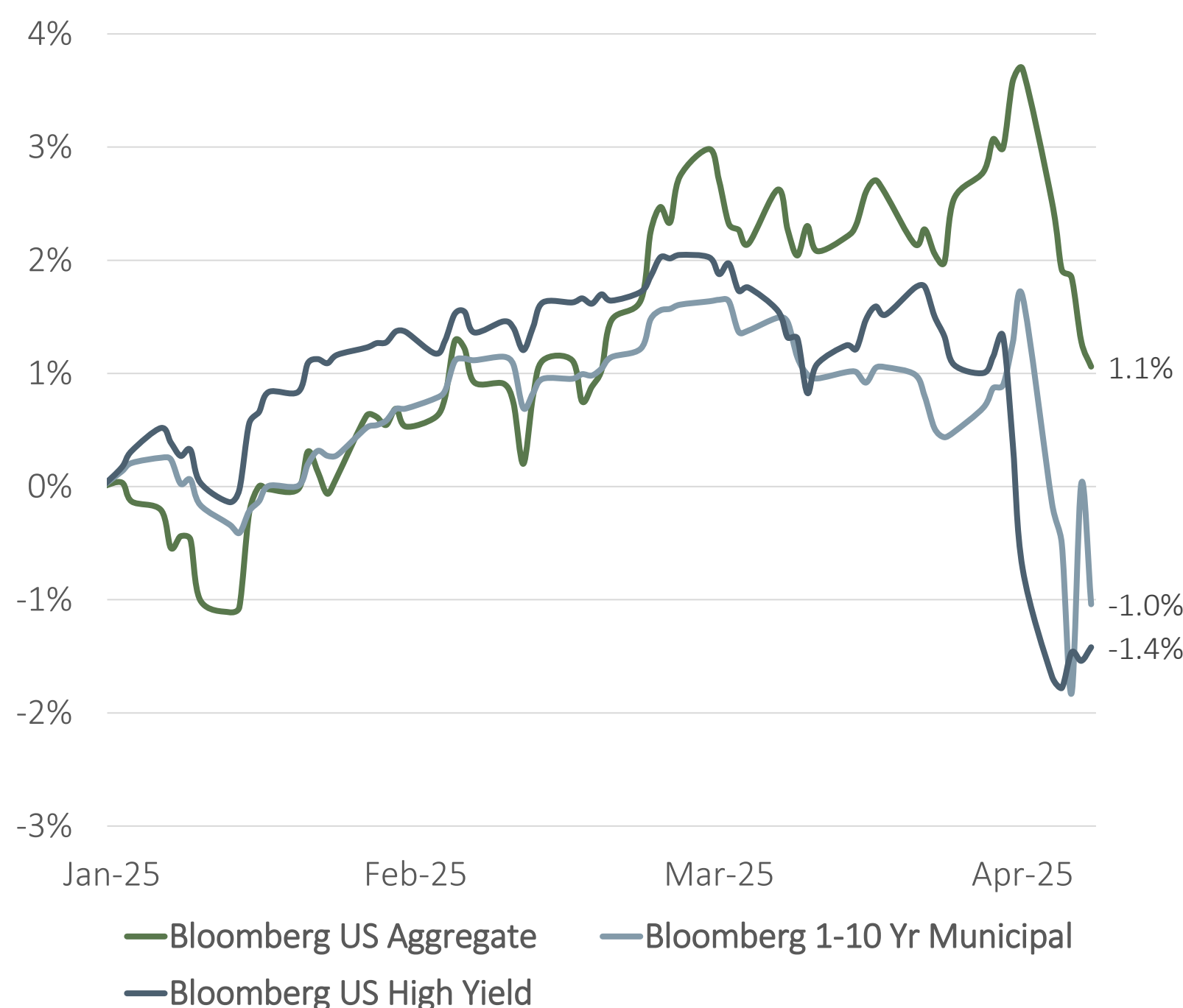
BOND MARKET RETURNS

RETURNS FOR MAJOR BOND INDICES

Core bonds performed well in Q1 as rates fell—especially across the 2- to 10-year range—but lost ground after Trump’s surprise tariffs pushed yields higher. Credit spreads widened from historically tight levels amid rising concerns over tariffs and recession risks.

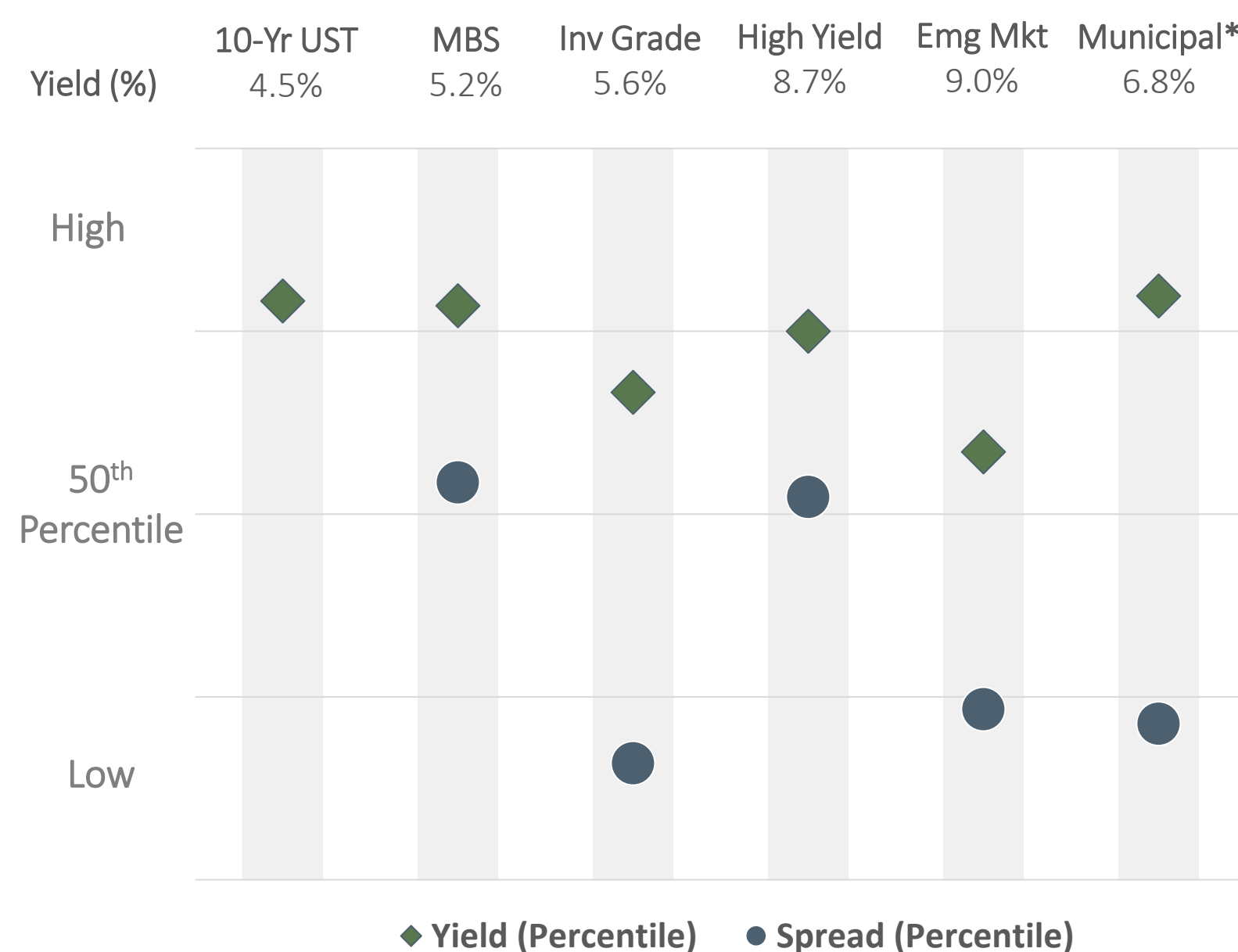
Bonds Give Up Gains on Tariff Turmoil

Major Bond Index Returns – YTD (as of April 11)



Evaluating Relative Value Across Fixed Income

Yield and Spread: Current Values vs 20-Yr Average



Source: Crescent Grove Advisors, Bloomberg. As of April 11, 2025. Bond sectors represented by the following indices: High Yield (Bloomberg Corporate High Yield Index), Municipals (Bloomberg 1-10 Yr Municipal Index), MBS (Bloomberg Mortgage Backed Securities Index), Investment Grade Corp (Bloomberg US Corporate Index), Emerging Markets (ICE BofA Emerging Market Sovereign Index). *Municipal yield reflects taxable equivalent yield for 37% federal income tax bracket. **Past performance is not a guarantee of future returns.** See important disclosures on the last page.



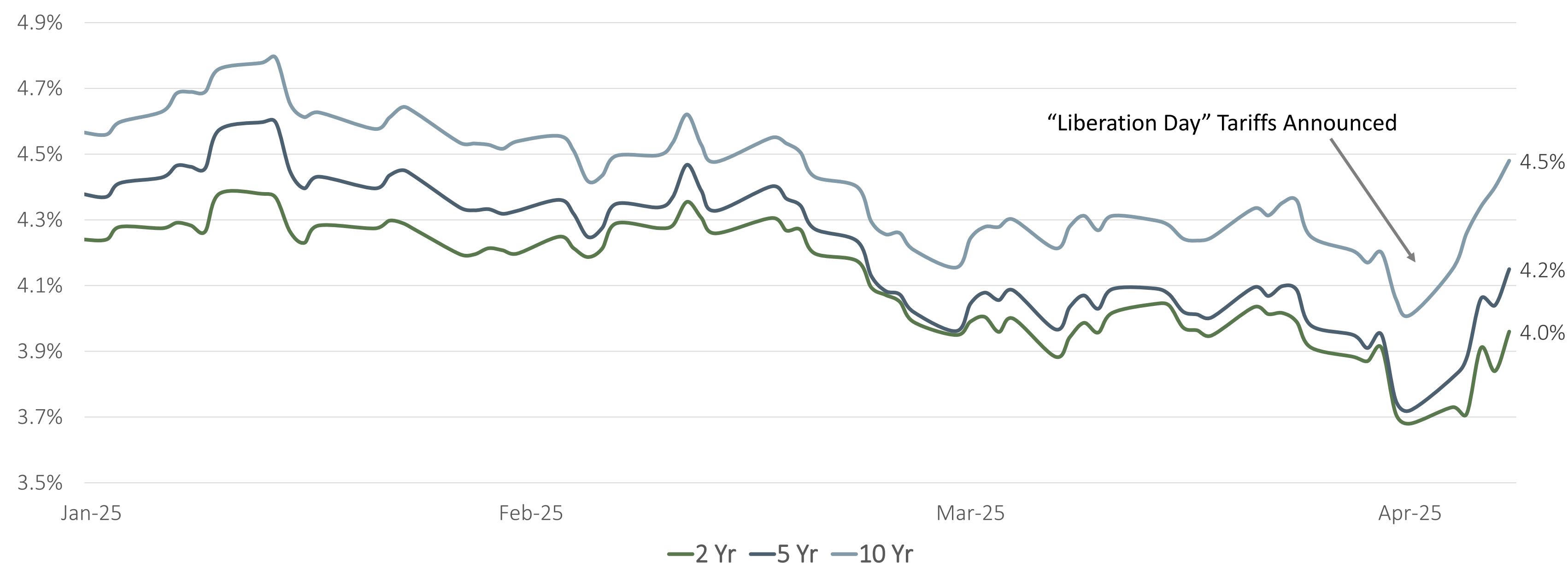
TREASURY YIELDS

BENCHMARK TREASURY YIELDS

Treasury yields fell throughout Q1 as investors grew more concerned about the downside risks to growth than the upside risks to inflation. But the sudden tariff rollout reversed that trend, sending yields sharply higher and shaking global confidence in U.S. financial markets.

Treasury Yields Slide in Q1 on Growth Fears, Before Tariffs Jolt Bond Market

Treasury Yields – YTD (as of April 11)



Source: Crescent Grove Advisors, Bloomberg. As of April 11, 2025. See important disclosures on the last page.



CREDIT SPREADS

INVESTMENT GRADE AND HIGH YIELD CREDIT SPREADS

Despite a significant equity correction, credit spreads were only modestly wider than pre-Liberation Day levels. If downside growth risks emerge, credit spreads could widen substantially, while upside potential remains limited due to already-tight valuations.

Credit Markets 'Liberated' From Tight Valuations

Investment Grade and High Yield Corporate Spreads – YTD



High Yield Risk/Reward is Less Attractive at Current Levels

Rolling 12 Month Returns: High Yield vs S&P 500



Source: Crescent Grove Advisors, Bloomberg. As of April 11, 2025. Asset classes based on the following indices: Investment Grade Corporate (Bloomberg US Corporate Index); High Yield (Bloomberg US Corporate High Yield Index). See important disclosures on the last page.



STOCK MARKET RETURNS: US VS. NON-US

RUSSELL 3000 VS. MSCI ACWI-EX USA INDEX

US stocks struggled relative to international, marred by the unwind of popular artificial intelligence trades and tariff-related uncertainty. Despite outperformance, international stocks still trade at a notable relative discount, presenting a strong case for diversification and long-term value.

Trump's Market Effect: Bullish Abroad, Bearish at Home

US (Russell 3000) vs. Non-US (MSCI ACWI ex. USA)



Diversification at a Discount: Finding Value Abroad

MSCI Countries: 12-Mo Forward P/E Relative to Last 20 Years

Country	Fwd P/E	20-Yr % Rank
United States	20.2x	80%
Developed International	13.8x	32%
Europe	13.5x	40%
Japan	13.6x	8%
United Kingdom	11.6x	30%
Canada	14.9x	39%
Australia	16.5x	69%
Emerging Markets	11.8x	30%
India	21.2x	29%
China	10.5x	67%
Korea	8.4x	4%

Source: Crescent Grove Advisors, Bloomberg. As of April 11, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



STOCK MARKET RETURNS: US LARGE VS. SMALL

S&P 500 INDEX VS. RUSSELL 2000 INDEX

Large-cap stocks continued their multiyear outperformance over small caps in Q1, as small caps—despite being more domestically focused and less exposed to tariff risks—remain more sensitive to economic slowdowns and shifts in consumer demand.

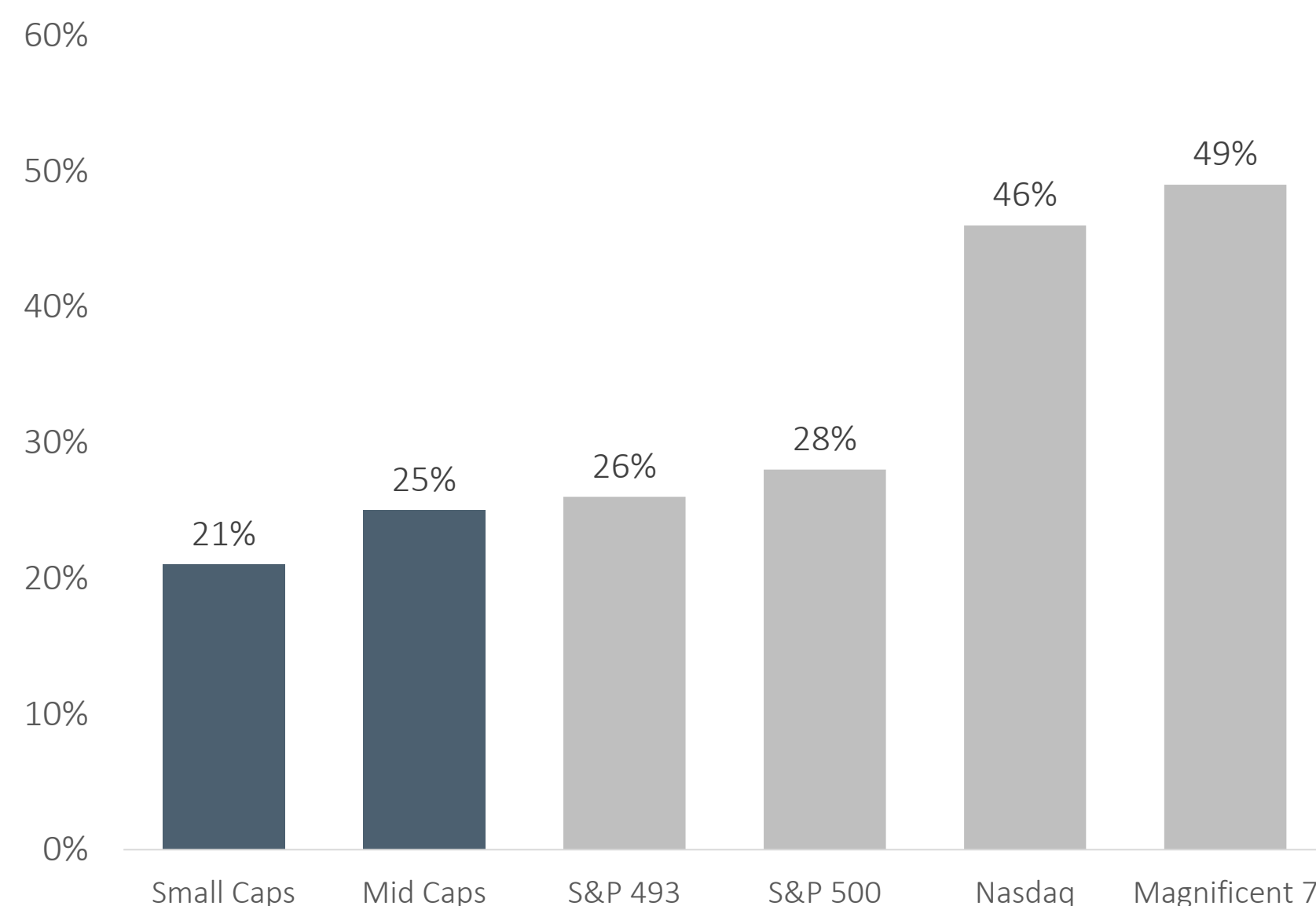
Smaller Caps Take the Biggest Hit Amid Uncertainty....

US Large Caps (S&P 500) vs. Small Caps (Russell 2000)



....Despite Less Reliance on Global Sales

Share of Sales Derived from Outside the United States



Source: Crescent Grove Advisors, Goldman Sachs Global Investment Research, Bloomberg. As of April 11, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



STOCK MARKET RETURNS: DEVELOPED INT'L VS. EM

MSCI EAFE INDEX VS. MSCI EMERGING MARKETS INDEX

Both developed and emerging markets performed well in Q1, aided by U.S. dollar weakness and expectations of a slowing U.S. economy. But looking ahead, emerging markets could take a bigger hit from tariff risks and any escalation in trade tensions.

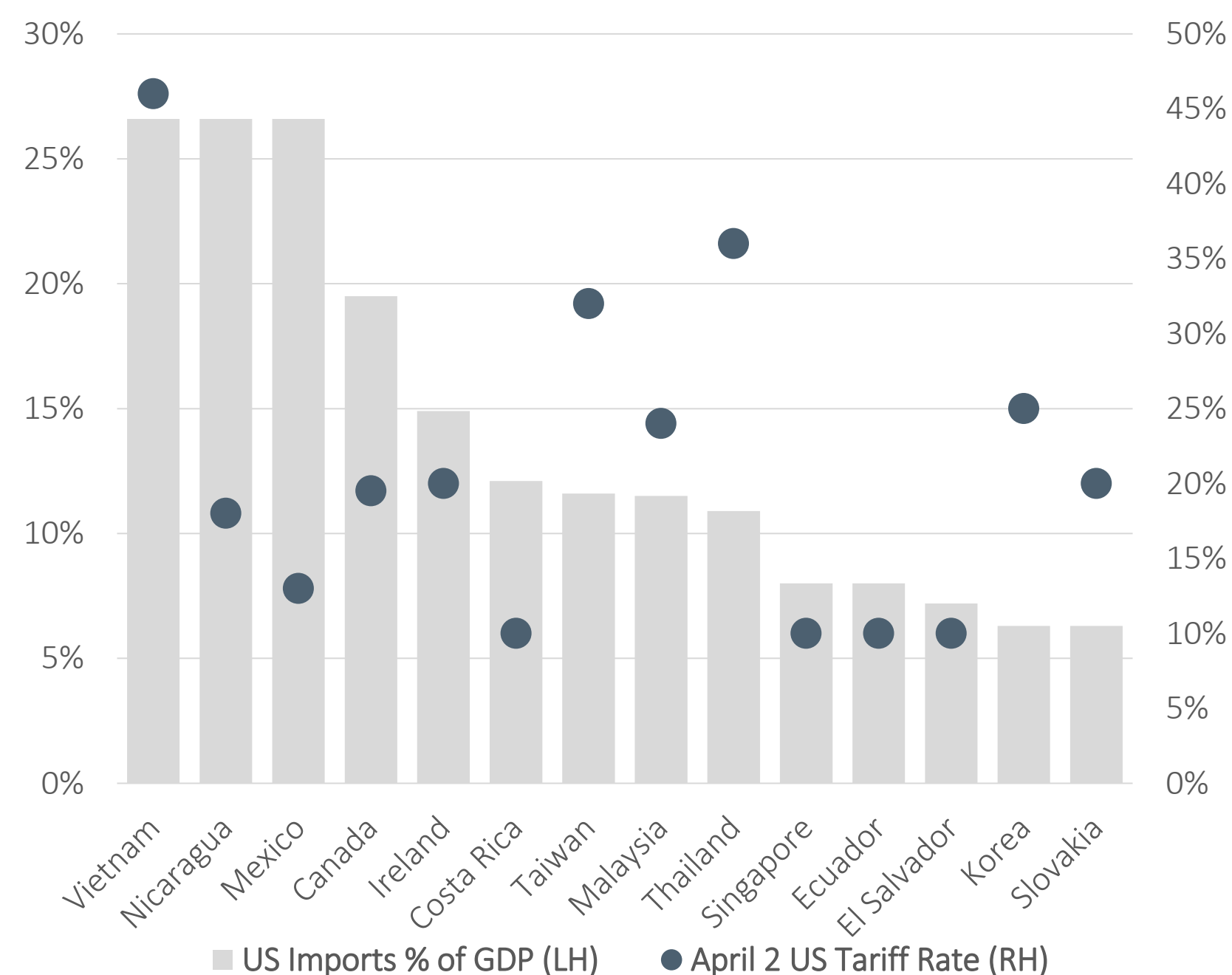
Emerging Markets Brace for Trump Tariff Turning Point

Dev Int'l (MSCI EAFE) vs Emerging Markets (MSCI EM)



Tariffs Likely to Hurt Emerging Nations More Than Developed

Most Exposed Countries: US Imports % of GDP vs Tariff Rate



Source: Crescent Grove Advisors, Bloomberg, White House. Returns as April 11, 2025. Tariff rates as of April 2, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.



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2025

