CRESCENT GROVE ADVISORS

Est. 2015

QUARTERLY MARKET PERSPECTIVES

Q2 2025

Q2 2025 REVIEW

KEY THEMES

- Markets experienced notable volatility in Q2 as investors navigated uncertainty around tariff policy and ongoing conflict in the Middle East. Despite these concerns, worst-case scenarios didn't materialize, and in the absence of any significant deterioration in economic data, most major asset classes delivered positive returns for the quarter.
- A U-turn in investor sentiment fueled one of the fastest stock market recoveries in US history. The S&P 500 surged nearly 24%, its quickest rebound into record territory after a drop of 15% or more, following President Trump's move in early April to ease his stance on broad tariffs.

FIXED INCOME

- Fixed income markets posted solid returns, as easing inflation and dovish central banks lifted core bond indices over 1%. Credit markets rallied, led by high-yield bonds amid tighter spreads and stronger sentiment. Meanwhile, deficit and inflation concerns drove outflows from long-duration bonds toward shorter-term debt.
- The Treasury yield curve steepened in Q2 as markets anticipated more short-term rate cuts, while long-term yields rose amid investor concerns over inflation and rising government debt. Ongoing inflation pressures—fueled in part by tariff uncertainty—have made the Federal Reserve reluctant to cut interest rates.

EQUITIES

- Mega-cap tech stocks rallied in Q2, fueled by renewed investor confidence and strong earnings. The 'Magnificent 7' rebounded from a weak Q1 with an 18.6% price gain, outperforming the rest of the S&P 500 by 14 percentage points. That said, after a challenging first quarter, only three of the Mag 7 stocks were up in the first half of the year.
- Global equities rebounded from April's turbulence, but the US dollar continued to weaken, with the dollar index falling 9% by quarter's end. This decline enhanced returns for dollar-based investors in international markets, as foreign-currency gains translated into stronger performance in dollar terms.

MARKET DASHBOARD (as of June 30, 2025)

KEY RETURNS AND STATISTICS

Bond Index Returns

	Q2	YTD	1 Yr (Annualized)	3 Yr (Annualized)	5 Yr (Annualized)
Bloomberg Municipal 1-10Yr Index	1.0%	1.7%	3.5%	2.7%	1.0%
Bloomberg US Aggregate Bond Index	1.2%	4.0%	6.1%	2.5%	-0.7%
Bloomberg US High Yield Index	3.5%	4.6%	10.3%	9.9%	6.0%

Treasury Yields

	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
Yield by Maturity	4.0%	3.7%	3.8%	4.2%	4.8%

FX and Commodity Returns

	Q2	YTD	1 Yr (Annualized)	3 Yr (Annualized)	5 Yr (Annualized)
Bloomberg Dollar Index	-6.6%	-9.1%	-6.3%	-1.9%	-0.5%
Bloomberg Commodity Index	-4.1%	3.3%	1.0%	-4.5%	9.4%
WTI Crude Oil	-5.2%	-3.2%	-7.5%	-3.6%	21.0%
Natural Gas	-22.2%	2.2%	-7.2%	-40.6%	-17.9%
Copper	-0.2%	24.9%	14.9%	12.9%	14.1%
Gold	5.2%	24.4%	39.8%	21.4%	11.8%

Equity Index Returns

US Equities	Q2	YTD	1 Yr (Annualized)	3 Yr (Annualized)	5 Yr (Annualized)
Russell 3000	11.0%	5.8%	15.3%	19.1%	16.0%
S&P 500	10.9%	6.2%	15.2%	19.7%	16.6%
Russell 2000	8.5%	-1.8%	7.7%	10.0%	10.0%
Non-US Equities	**Q2**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**
MSCI All Country World ex. US	12.0%	17.9%	17.7%	14.0%	10.1%
MSCI EAFE	11.8%	19.4%	17.7%	16.0%	11.2%
MSCI Emerging Markets	12.0%	15.3%	15.3%	9.7%	6.8%

US Equity Style Box Returns*

Q2

	Value	Core	Growth
Large	3.8%	11.1%	17.8%
Mid	5.3%	8.5%	18.2%
Small	5.0%	8.5%	12.0%

YTD

	Value	Core	Growth
Large	6.0%	6.1%	6.1%
Mid	3.1%	4.8%	9.8%
Small	-3.2%	-1.8%	-0.5%

Source: Bloomberg. As of June 30, 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.

NOTHING TO SEE HERE

MARKETS RECAPTURE ALL THEIR LOSSES FROM Q1 DESPITE TARIFF UNCERTAINTY

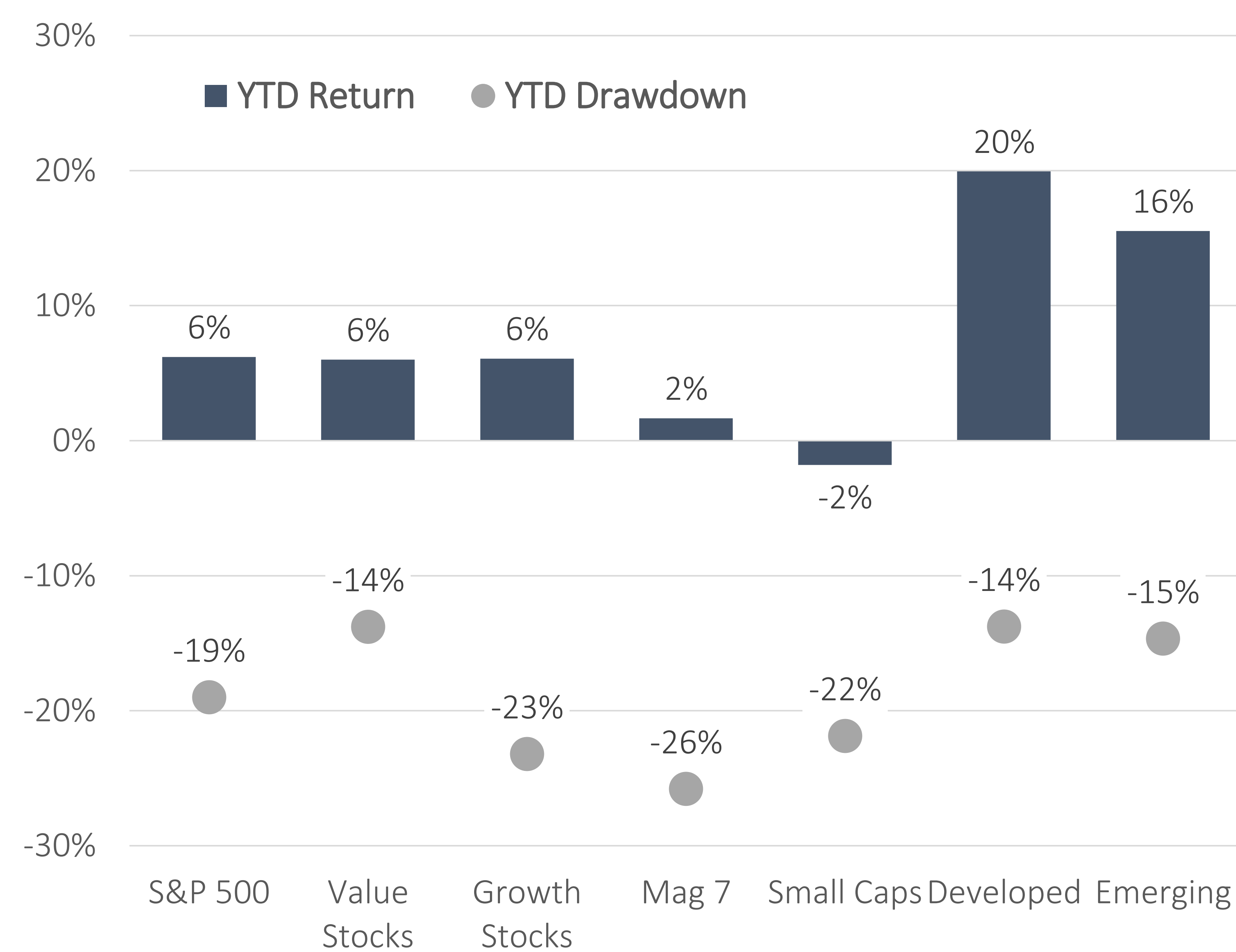
Markets brushed aside tariff and inflation fears to notch fresh highs in Q2, surging 24% from the bottom of April's tariff-driven drawdown. The 89-day rebound marked the fastest ever return to a record following a drop of 15% or more.

Quickest Recoveries to New Highs Following 15% Decline

S&P 500 Index

YTD Asset Class Returns and Drawdowns

Asset Classes Priced in US Dollars



Source: Crescent Grove Advisors, Bloomberg. As of June 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

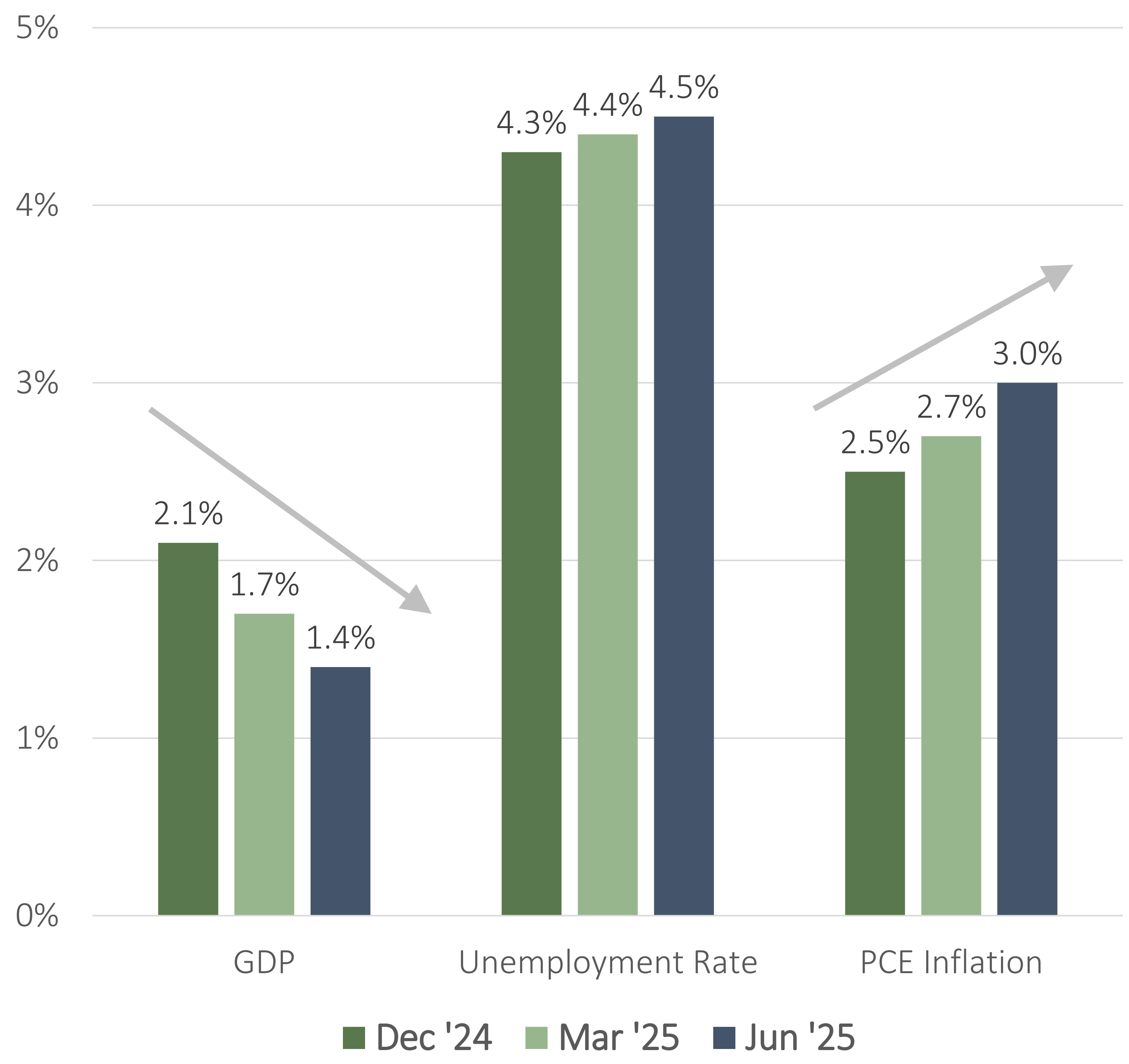
OUTLOOK: HIGHER UNCERTAINTY AND LOWER GROWTH

RISING TRADE UNCERTAINTY RISKS DERAILING AN ALREADY-SLOWING ECONOMY

Uncertainty continues to dominate the US economic outlook. Changing trade policy and a slowing consumer are likely to cause the US economy to slow, but not completely stall. Fed members have revised their full-year forecasts for an environment of lower growth, higher unemployment, and rising inflation.

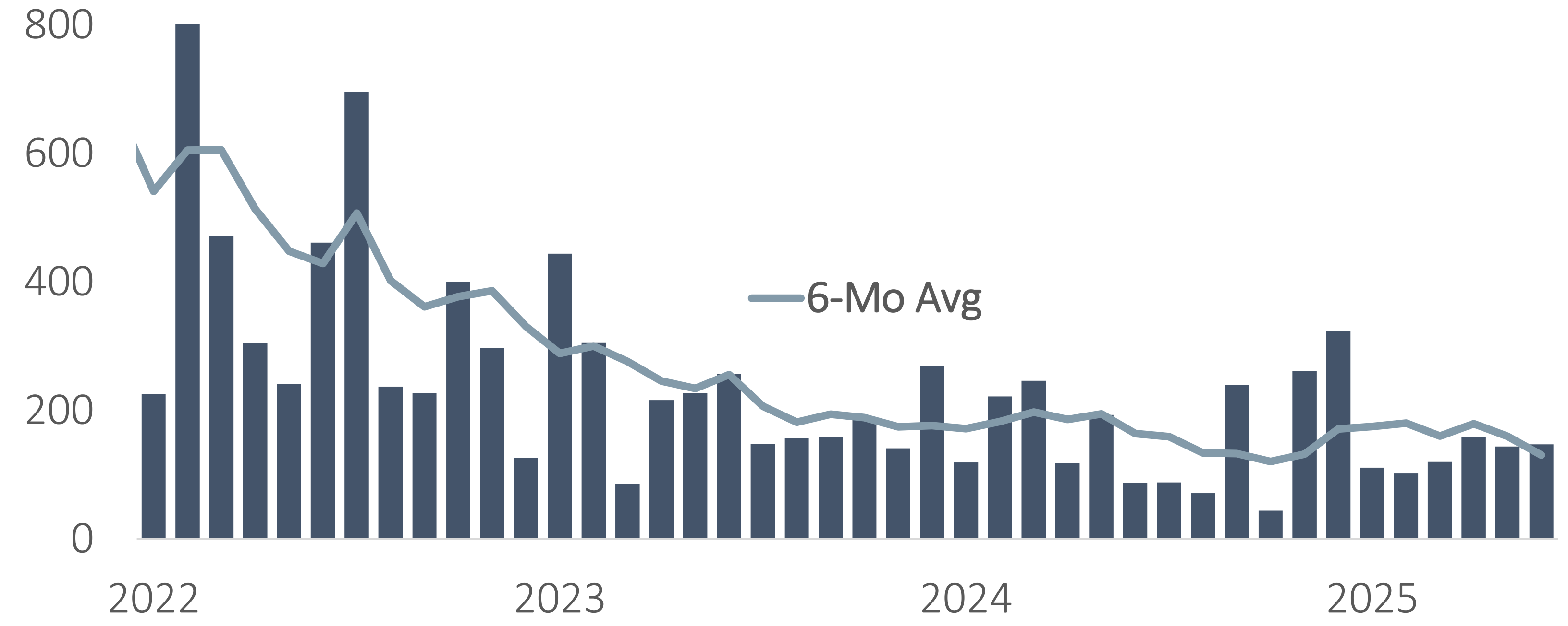
Economic Projections Have Been Revised Downward

Fed Projections for Calendar Year 2025

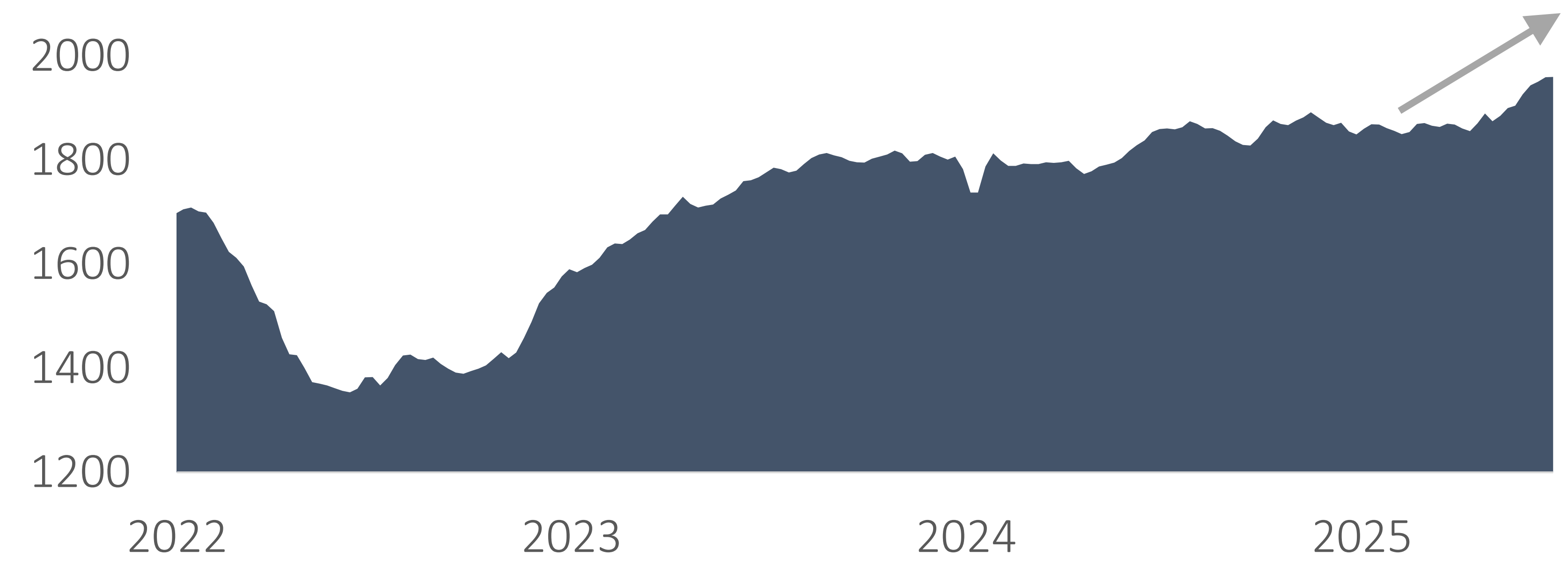


Signs are Emerging the Labor Market is Losing Momentum

Monthly Job Gains (Thousands)



Continuing Jobless Claims (Thousands)



Source: Crescent Grove Advisors, Bloomberg, Federal Reserve, Bureau of Labor Statistics. As of June 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

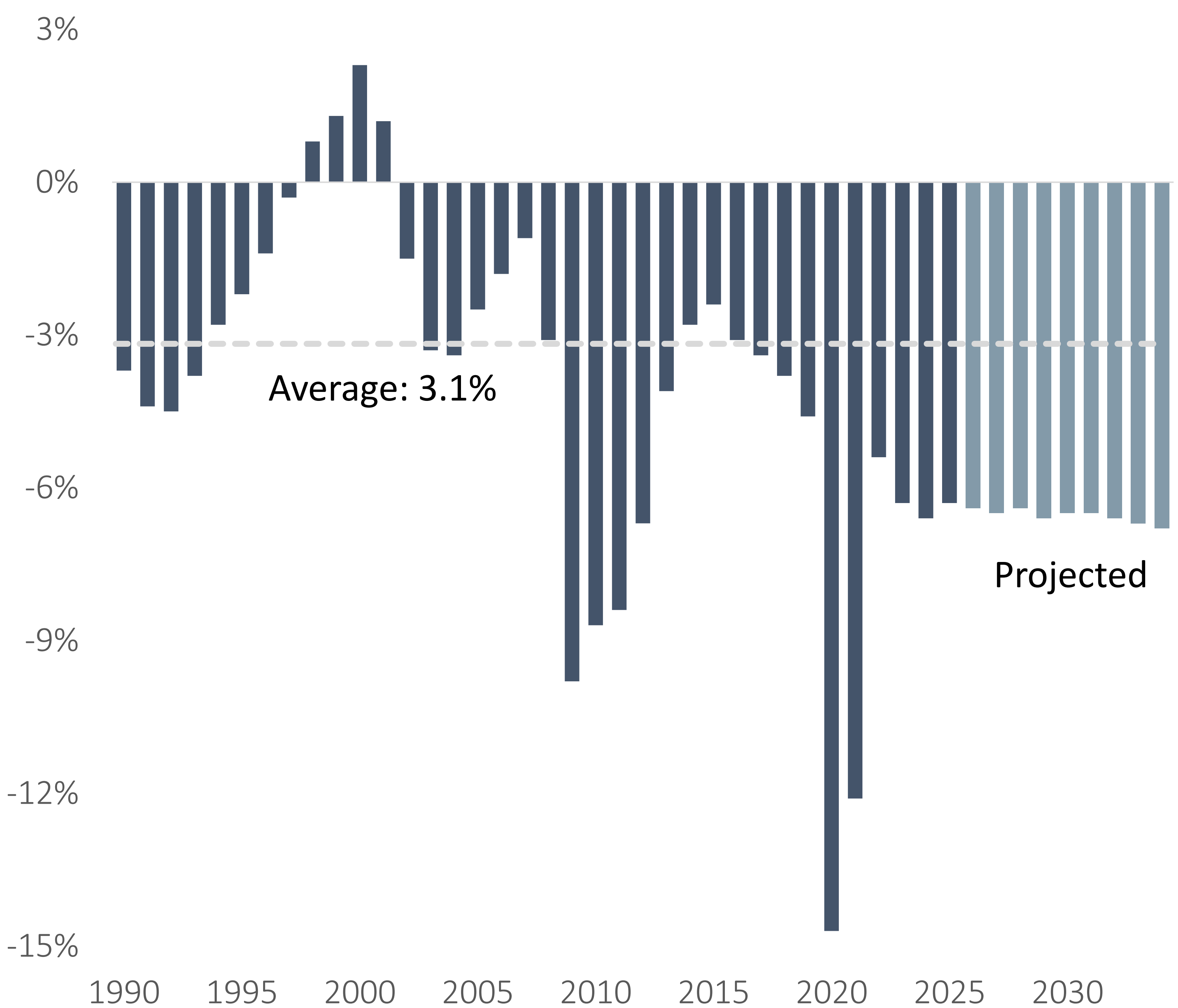
BIG BILL, BIGGER TAB: NOW WHAT?

WHAT THE OBBBA MEANS FOR GROWTH AND DEFICITS

The “Big Beautiful Bill” would provide a short-term boost to economic growth and consumer spending through large-scale tax cuts and infrastructure outlays. But without offsetting revenue measures, it would likely widen the federal deficit over the medium term, raising concerns about long-term fiscal sustainability.

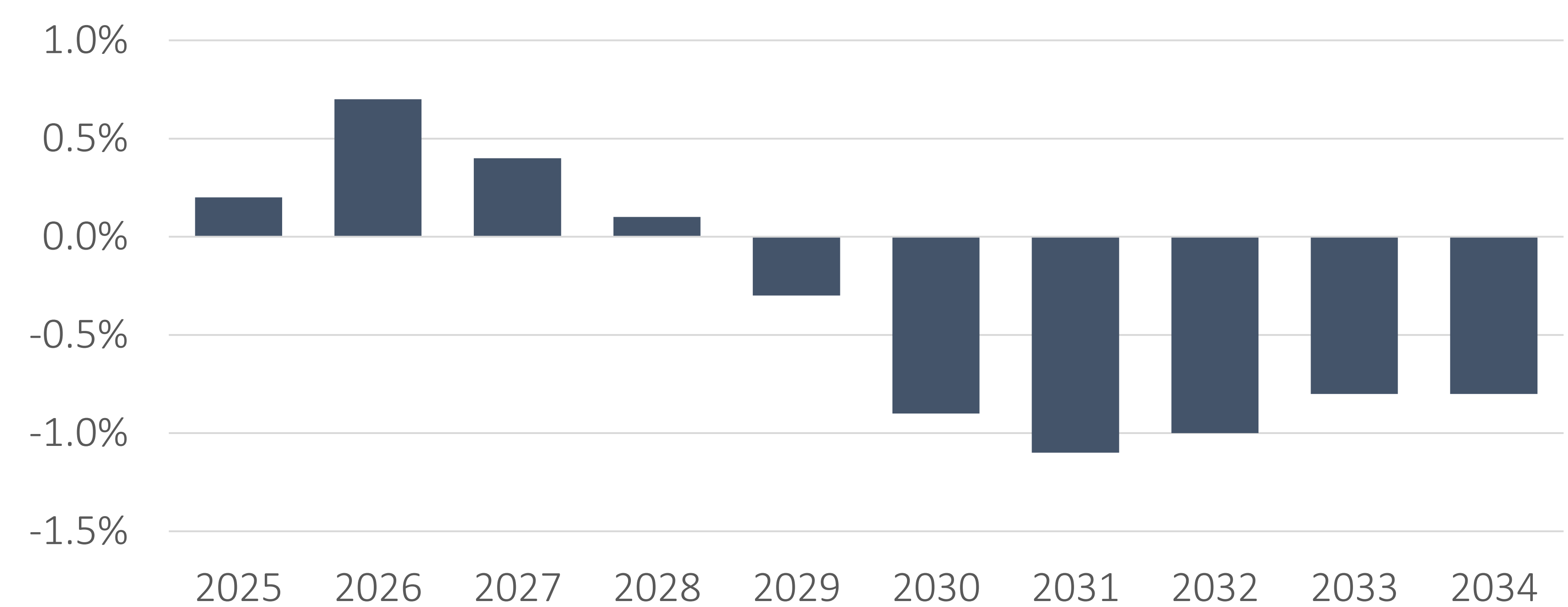
The OBBBA Would Cement Long-Term Deficit Spending

Total Deficits as % of GDP

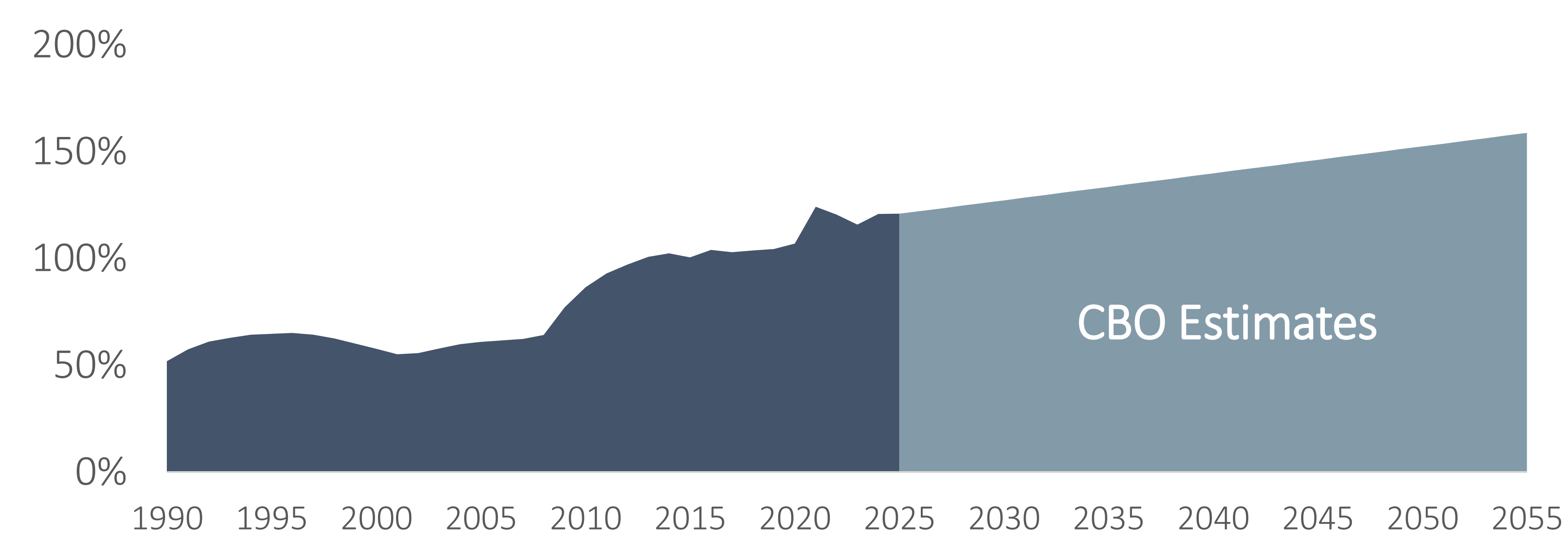


OBBBA’s Economic Impact Comes Early, While Spending Cuts Come Later

Net Fiscal Impact of OBBBA



Total Debt as % of GDP



Source: Crescent Grove Advisors, Congressional Budget Office (CBO), Yale Budget Lab, Barclays Research. As of July 5, 2025. Deficit to GDP projections based on analysis from Barclays Research. GDP growth estimates based on analysis from Yale Budget Lab. Debt to GDP estimates from CBO. See important disclosures on the last page.

DIVERSIFICATION DELIVERS WHEN THE DOLLAR DOESN'T

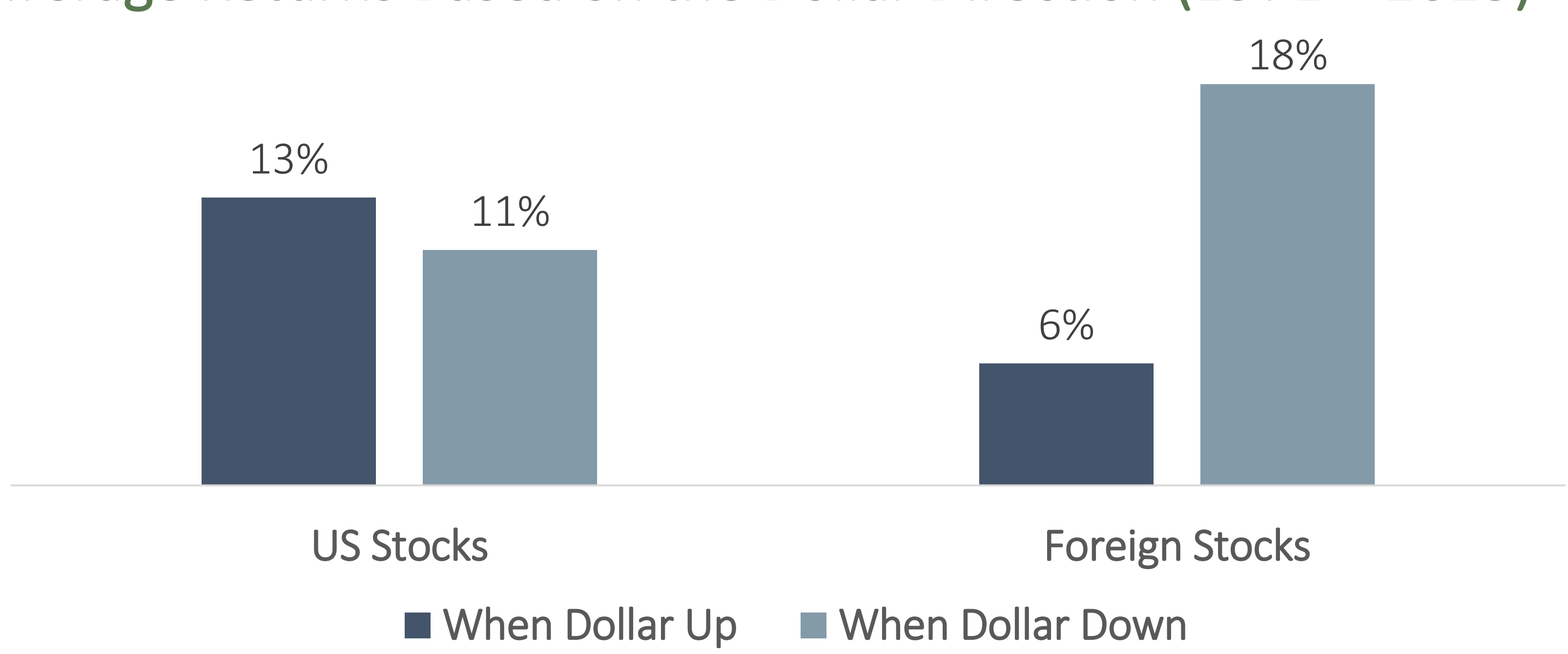
THE DOLLAR PULLBACK HAS RENEWED EQUITY STRENGTH ABROAD

The US dollar's YTD decline underscores the value of global diversification. In 1H 2025, international stocks outpaced US equities, driven by lower valuations and currency tailwinds. With non-US markets still at a relative discount, continued dollar weakness could further support their outperformance into the year's close.

US Dollar Suffered Biggest First-Half Loss Since 1973

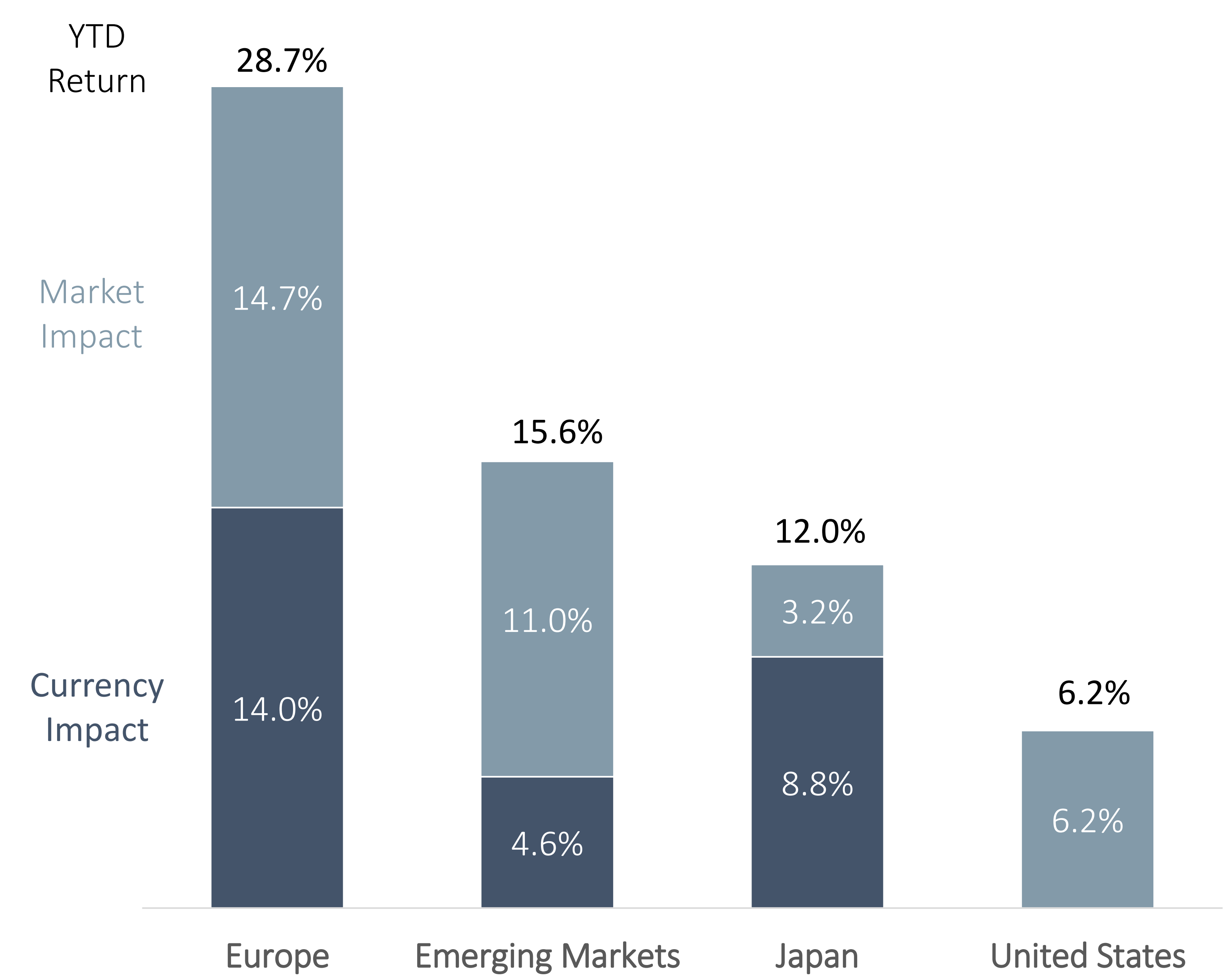
YTD: US Dollar Index

Average Returns Based on the Dollar Direction (1971 – 2025)



Discounted Valuations and Dollar Weakness Fuel Non-US Equity Gains

YTD Returns for US-Based Investors



Source: Crescent Grove Advisors, Bloomberg, MSCI, Ritholtz Wealth Management. As of June 30, 2025 **Past performance is no guarantee of future results.**
See important disclosures on the last page.

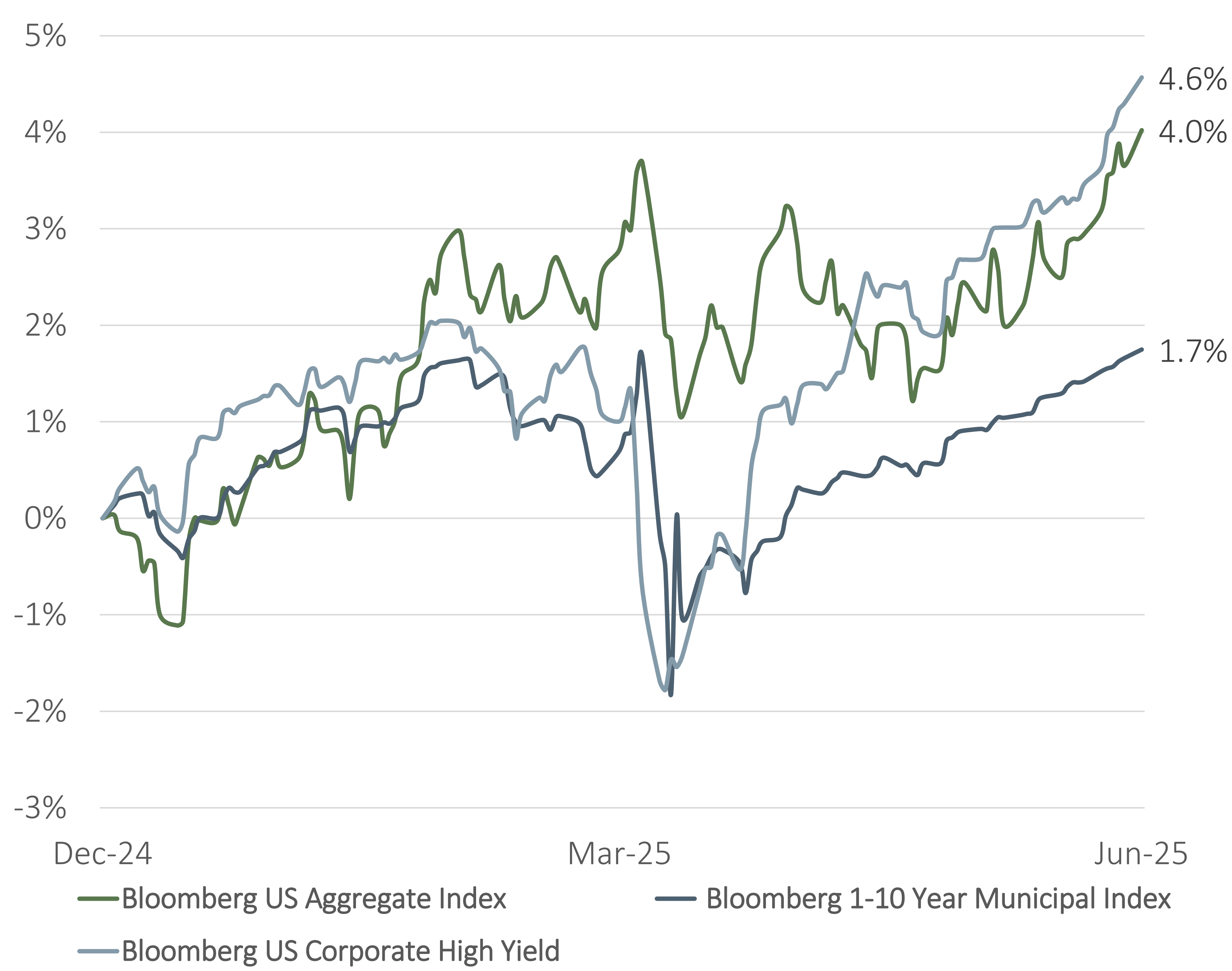
BOND MARKET RETURNS

RETURNS FOR MAJOR BOND INDICES

Fixed income markets marched higher, as easing inflation and dovish central banks lifted core bond indices over 1%. Credit markets rallied, led by high-yield bonds amid tighter spreads and stronger sentiment. Meanwhile, deficit and inflation concerns drove outflows from long-duration bonds toward shorter-term debt.

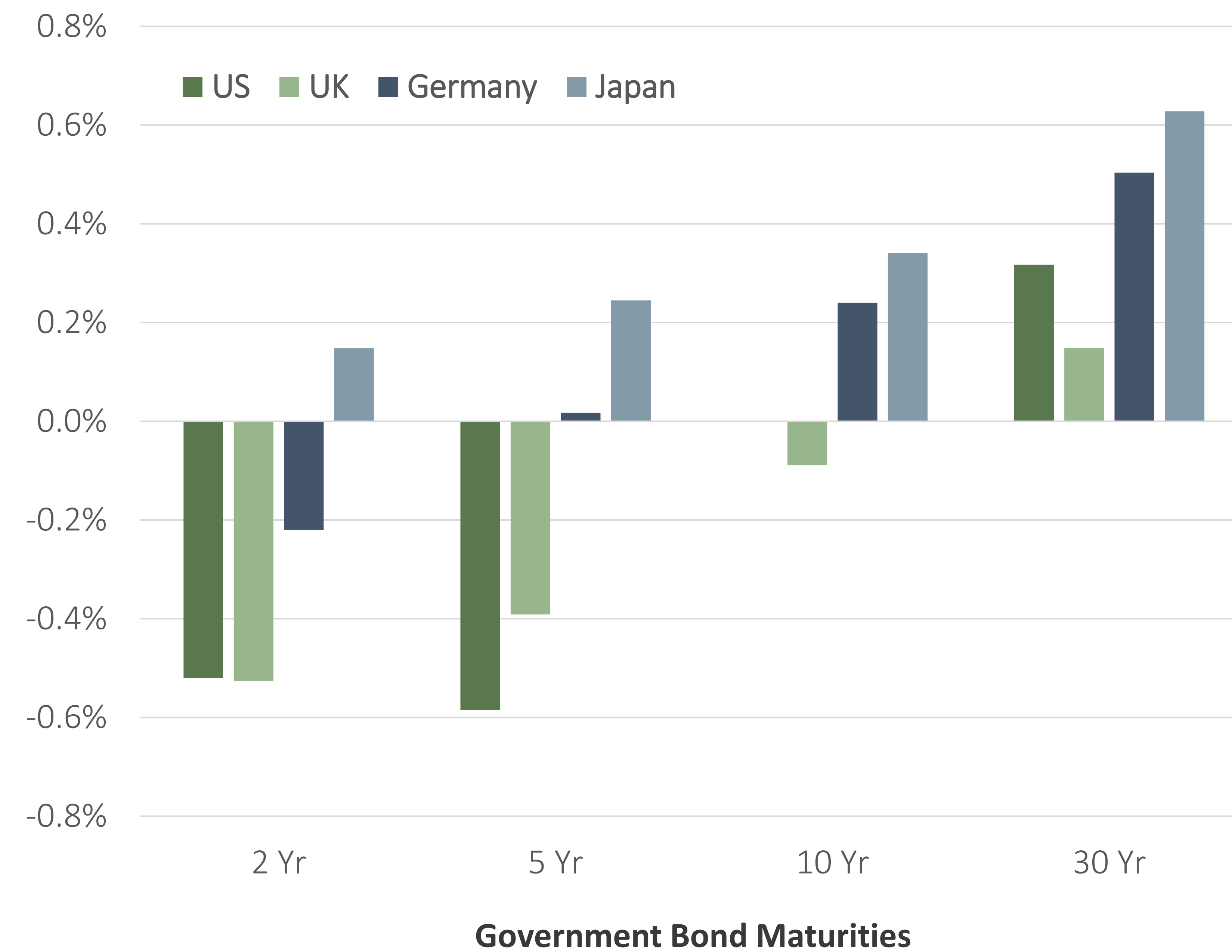
Confidence Returns: Credit Markets Outpace Treasuries

Major Bond Index Returns – YTD



Duration Dump: Global Investors Shun Long-Term Bonds

YTD Yield Changes: Global Government Bonds by Maturity



Source: Crescent Grove Advisors, Bloomberg. As of June 30, 2025. **Past performance is not a guarantee of future returns.** See important disclosures on the last page.

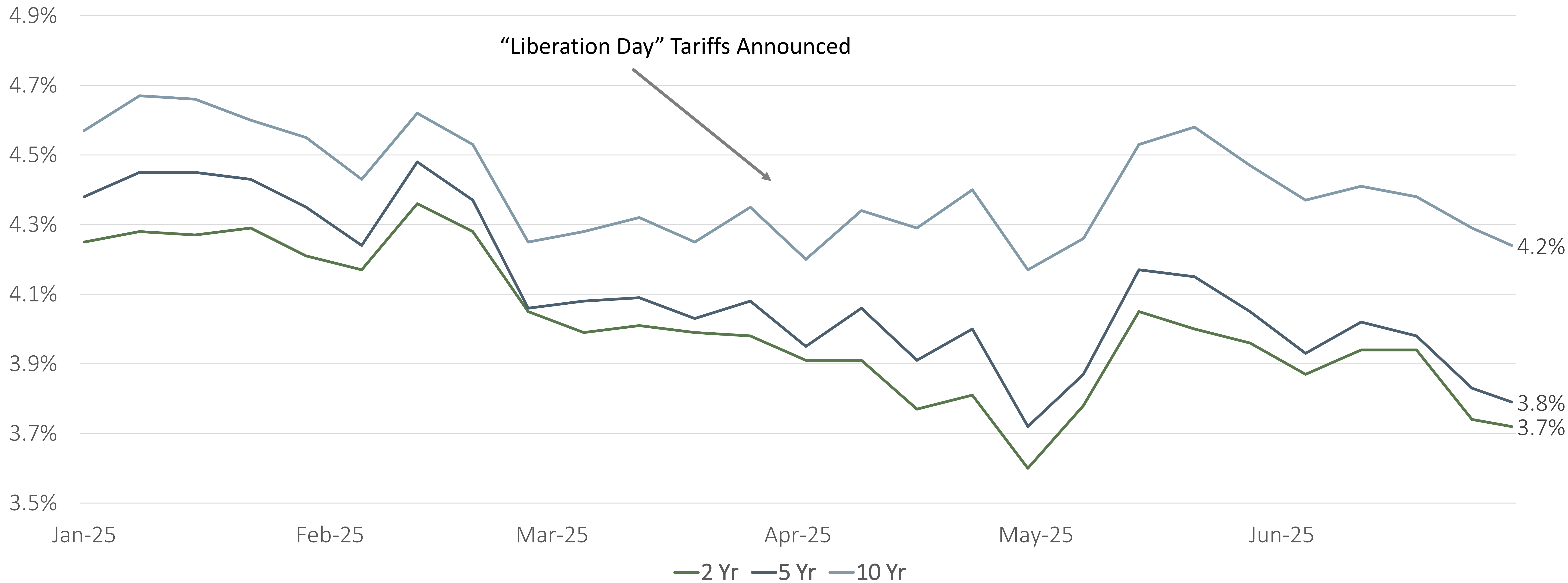
TREASURY YIELDS

BENCHMARK TREASURY YIELDS

The Treasury yield curve steepened in Q2 as markets anticipated more short-term rate cuts, while long-term yields rose amid investor concerns over inflation and rising government debt. Ongoing inflation pressures—fueled in part by tariff uncertainty—have made the Federal Reserve reluctant to cut interest rates.

Steeper Yield Curve Signals Policy Tug-of-War

Treasury Yields – YTD



Source: Crescent Grove Advisors, Bloomberg. As of June 30, 2025. See important disclosures on the last page.

CREDIT SPREADS

INVESTMENT GRADE AND HIGH YIELD CREDIT SPREADS

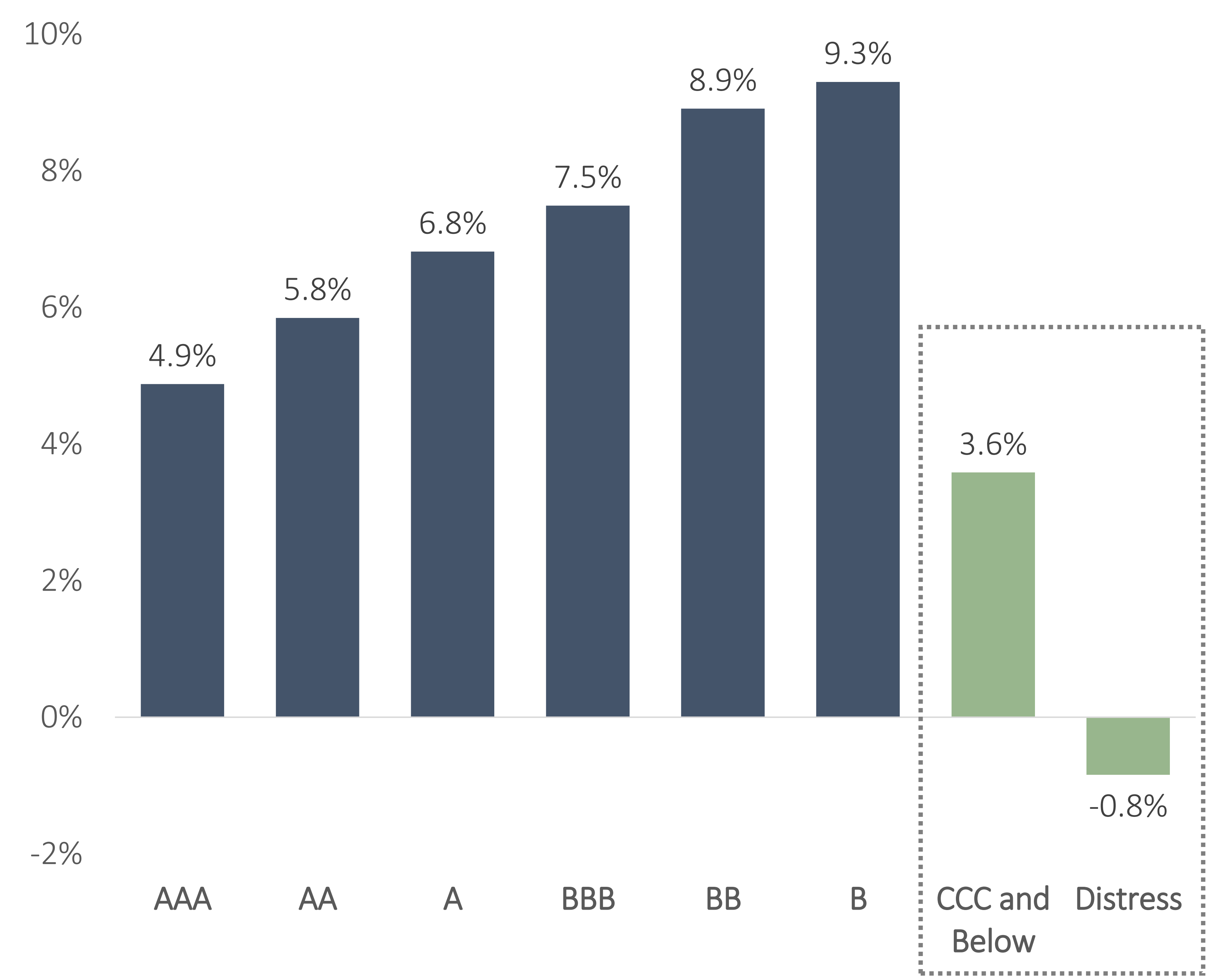
Credit markets rallied in Q2 2025, driven by elevated all-in-yields and limited new issuance. After a sharp widening post-Liberation Day, investment-grade spreads tightened to below pre-event levels. High yield credit outperformed, supported by stronger sentiment and technicals, though the lowest-rated risk continued to lag with lingering economic uncertainty.

Corporate Spreads Rally Back to Pre-Tariff Tights

Investment Grade and High Yield Corporate Spreads

Uncertainty Weighs Most on Lower-Rated Risk

YTD Return by Corporate Credit Rating



Source: Crescent Grove Advisors, Bloomberg. As of June 30, 2025. Credit rating returns based on data for ICE BofA. **Past performance is no guarantee of future results.** See important disclosures on the last page.

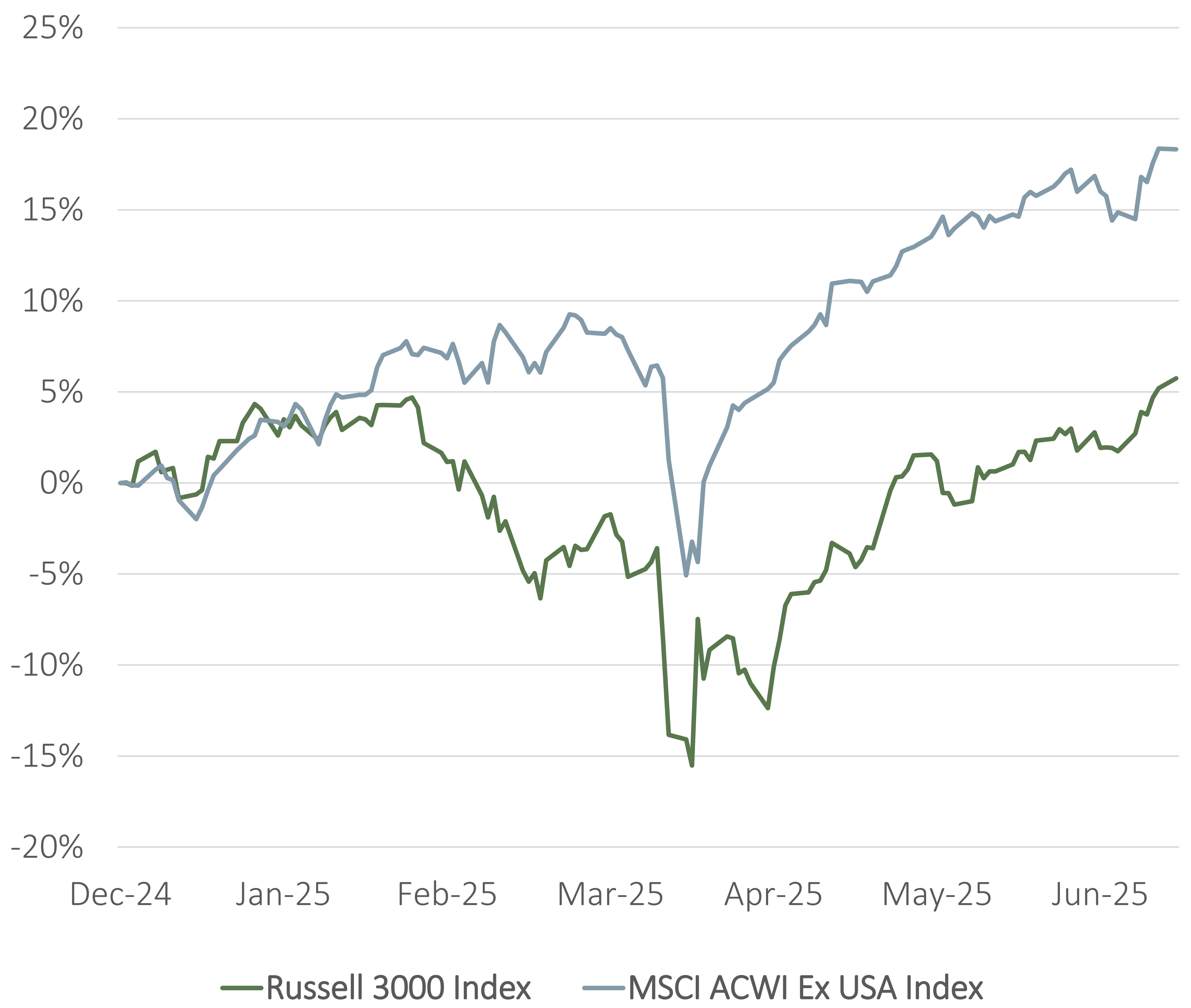
STOCK MARKET RETURNS: US VS. NON-US

RUSSELL 3000 VS. MSCI ACWI-EX USA INDEX

International markets outperformed the US, benefiting from a weaker US dollar. Dollar weakness and concerns about the US economic outlook prompted investors to shift toward international equities, where valuations are much less demanding than their US peers.

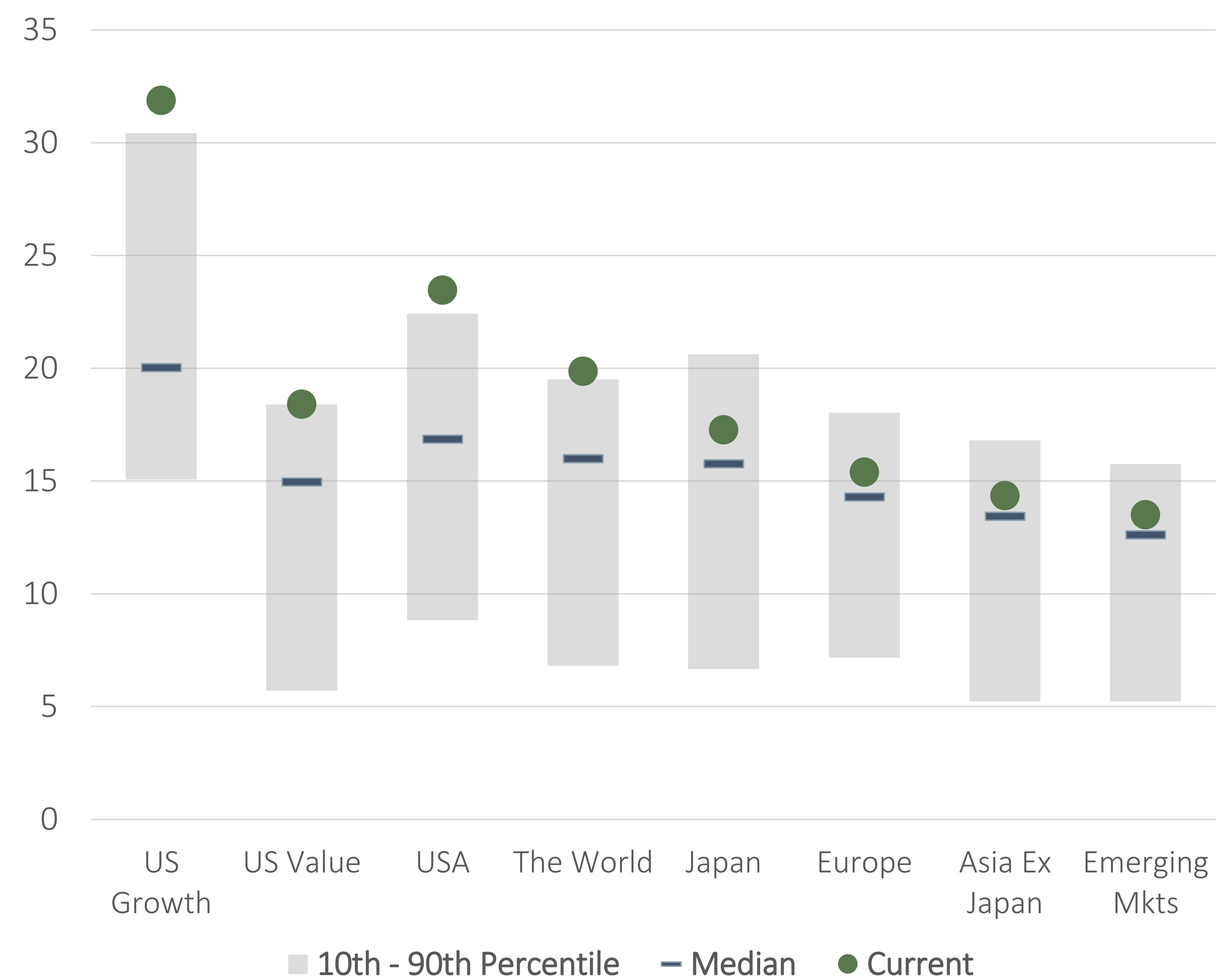
Dollar Downturn Sends International Stocks to New Highs

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



International Equities: Undervalued and Overlooked

Global Equities: 12-Mo Forward P/E Relative to Last 20 Years



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STOCK MARKET RETURNS: US LARGE VS. SMALL

S&P 500 INDEX VS. RUSSELL 2000 INDEX

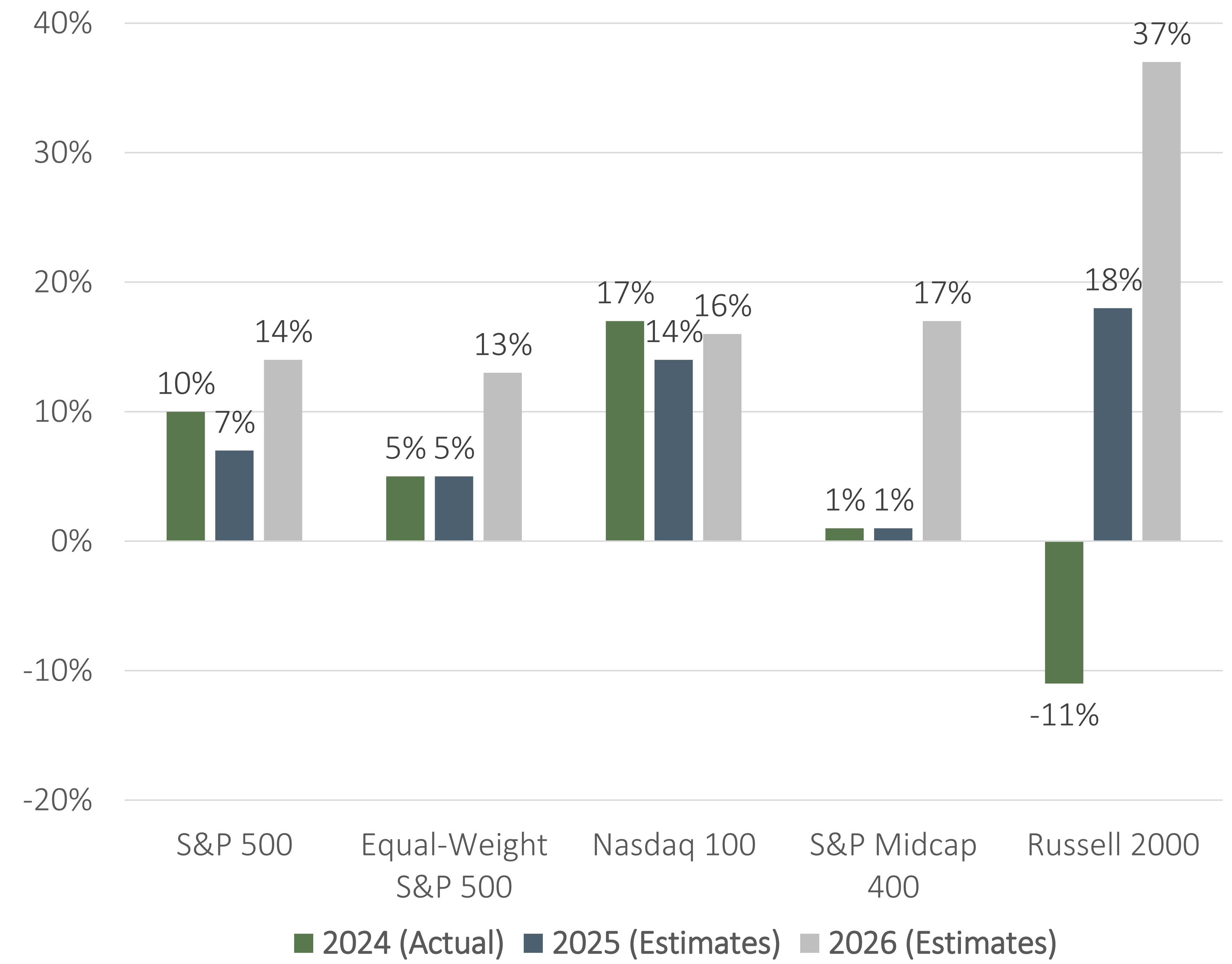
US large-cap stocks outperformed small caps, driven by strong earnings from mega-cap tech names and improved investor confidence. Small caps lagged, held back by higher interest rate sensitivity and a still-uncertain economic environment.

A Familiar Story: Small Caps Bear Brunt of Tariff Pain

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

The Elusive Small Cap Earnings Revival

Earnings Growth Estimates By Year for US Equity Indices



Source: Crescent Grove Advisors, Goldman Sachs Global Investment Research, Bloomberg. As of June 30, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

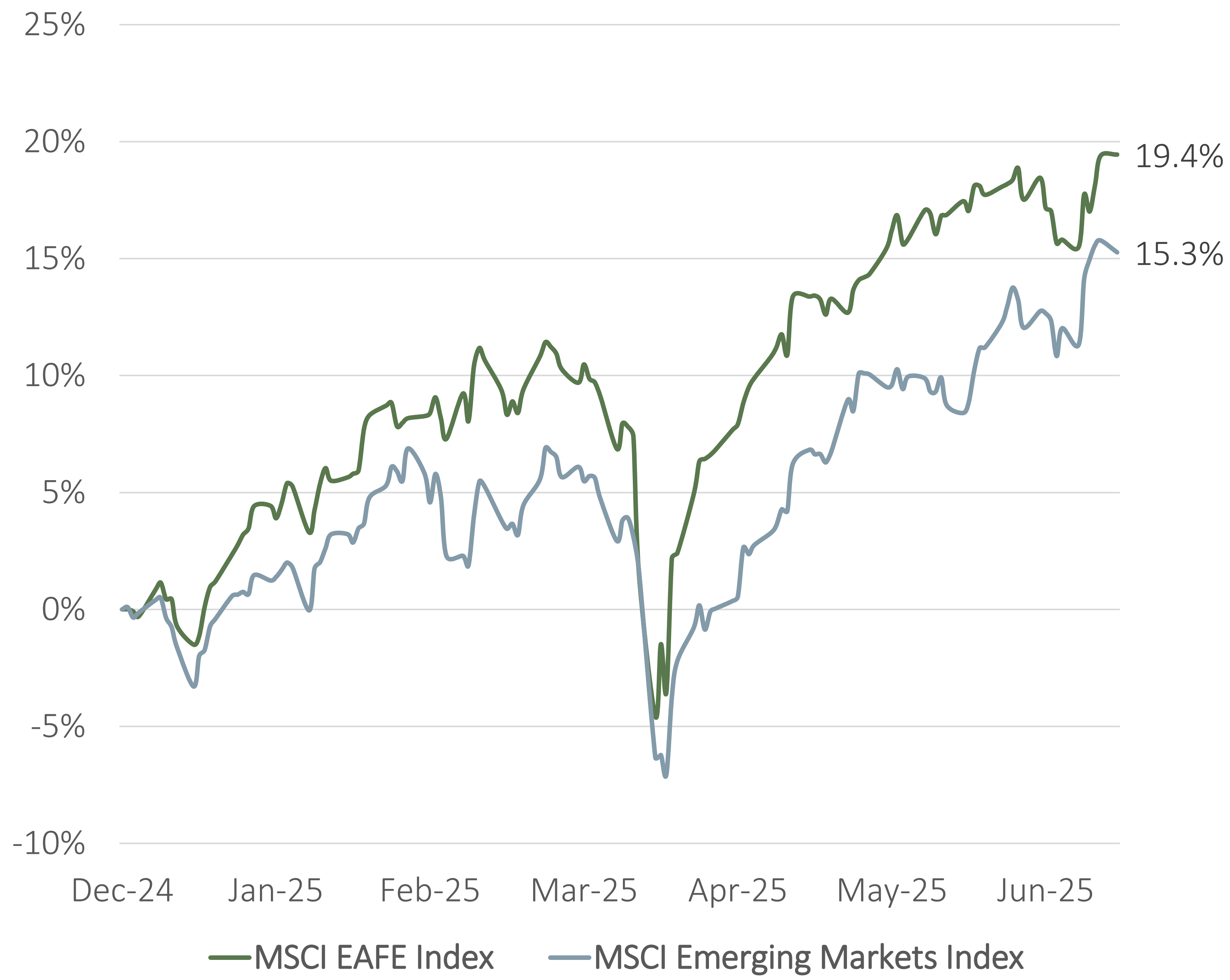
STOCK MARKET RETURNS: DEVELOPED INT'L VS. EM

MSCI EAFE INDEX VS. MSCI EMERGING MARKETS INDEX

Developed and emerging markets both posted strong, double-digit returns in Q2. Developed markets were supported by solid corporate earnings—particularly in Europe and Japan—while emerging markets benefited from China's economic strength. In both regions, easing inflation led to rate cuts across several countries, adding to investor sentiment.

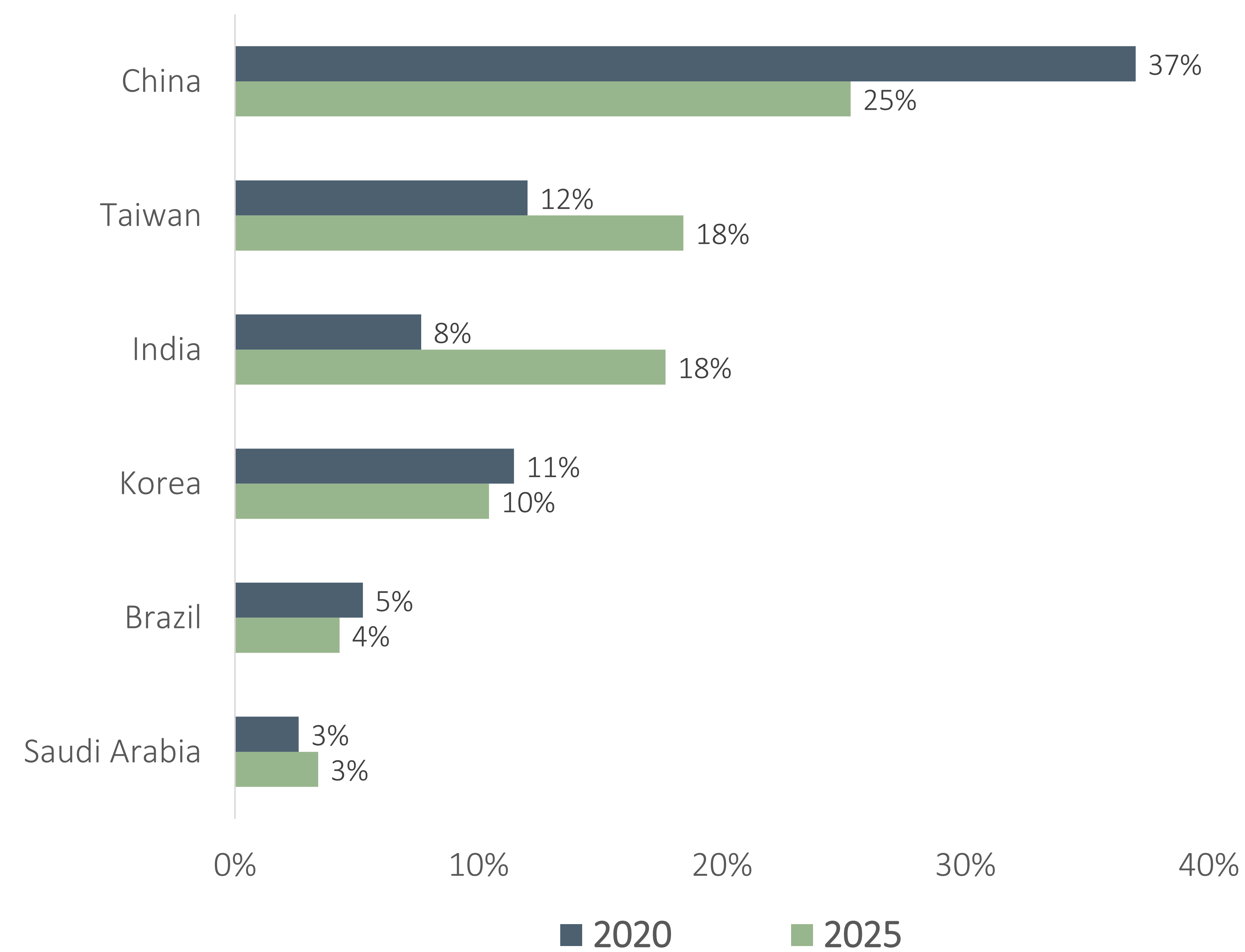
Falling Dollar Sparks Rotation Into International Equities

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



The Changing Face of Emerging Markets

MSCI Emerging Market Index Country Weights: Today vs 2020



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Crescent Grove Advisors, LLC
2025