

WAINWRIGHT INVESTMENT COUNSEL, LLC FINANCIAL MARKETS HIGHLIGHTS

Second Quarter 2025

The first half of 2025 concluded with the S&P 500 Index of large and mega-cap stocks at an all-time high, just two and a half months after entering bear market territory following the “Liberation Day” tariff sell off, which commenced April 9. The S&P 500 Index closed the second quarter up 10.9%, bringing year-to-date gains to 6.2%. During the first quarter, it was the large technology and communication services stocks that were responsible for the negative S&P 500 Index return, and those sectors heavily influenced the bounce back in the second quarter. Large and mid-cap growth-oriented stocks were up 17.8% and 18.2% during the quarter, respectively, while large, mid and small-cap value-oriented stocks were only up between 3.8% and 5.4%. With a decline in interest rates since the end of last year, the Bloomberg Aggregate Bond Index generated a total return of 4.0% for first half of the year, with 1.2% coming in the second quarter.

In the first quarter, the equity markets were impacted by announcements on trade and tariffs, as well as the interest rate outlook. The early part of the second quarter was volatile, spurred by the “Liberation Day” announcement and reaction. Meanwhile, the U.S. economy continued its resilience, and by the end of the second quarter, economists and market analysts called for 2025 corporate earnings to be stronger than forecasted at the beginning of the year.

With the 90-day pause on Liberation Day tariffs set to end on July 9, and President Trump stating that the pause will not be extended, many are left wondering about the ramifications. After all, the initial tariff announcements saw the S&P fall almost 12% in less than a week, and concerns about inflationary impacts are widespread. Treasury Secretary Scott Bessent pushed back against suggestions that tariffs are inflationary, saying, "We have seen no inflation from tariffs. If we do...then there'd be a one-time price adjustment. Nothing is more transitory than that." As of this writing, it appears that tariff fears have somewhat abated, pending the events of July 9, although the risk of temporary higher inflation remains.

While members of the executive branch may believe that the inflationary impact of tariffs will be minimal, members of the Federal Open Market Committee (“FOMC”) seem to disagree. Chairman Jerome Powell, in comments at a European Central Bank panel on July 1, stated that the size of the tariffs caused the Committee to pause the cuts to the short-term Fed Funds rate that began September of last year, and he even went as far as to say that the Fed would have cut rates already were it not for tariffs. While Powell would not commit to a rate cut in July, he noted that the solid majority at FOMC expects rate cuts later this year. The market has currently priced in a rate cut for the September FOMC meeting, as the Federal Reserve’s bout with inflation wages on. The

Selected Index Returns (%) as of June 30, 2025 (Source: Morningstar Direct). 3, 5, 10 year returns are annualized.

	<u>April</u>	<u>May</u>	<u>June</u>	<u>QTR</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
S&P 500	-0.68	6.29	5.09	10.94	6.20	15.16	19.71	16.64	13.65
S&P 400	-2.25	5.40	3.58	6.71	0.20	7.53	12.83	13.44	9.25
Russell 2000	-2.31	5.34	5.44	8.50	-1.79	7.68	10.00	10.04	7.12
Wilshire US REIT Index	-2.67	2.06	-0.57	-1.24	-0.24	9.13	5.71	8.67	6.30
MSCI EAFE	4.58	4.58	2.20	11.78	19.45	17.73	15.97	11.16	6.51
MSCI Emerging Markets	1.31	4.27	6.01	11.99	15.27	15.29	9.70	6.81	4.81
Bloomberg US Aggregate Bond	0.39	-0.72	1.54	1.21	4.02	6.08	2.55	-0.73	1.76
Bloomberg High Yield	-0.02	1.68	1.84	3.53	4.57	10.29	9.93	5.97	5.38

The information contained herein is provided for informational and discussion purposes only. No chart, graph, or other figure provided should be used to determine which securities to buy, sell or hold. No representation is made concerning the appropriateness of any particular investment, security, portfolio of securities, transaction or investment strategy. **Investing involves risks, and there is always the potential of losing money.** Before entering into any financial transaction, you should ensure that you fully understand the terms, have evaluated the risks and have determined that the transaction is appropriate for you in all respects. You should consult with your personal legal, tax, or other advisors, including your financial professional, prior to making any investment decisions. **Past performance is never a guarantee of future investment results.**

Benchmarks and financial indices provide historical market data that serves as point of reference to compare the performance of a particular investment and/or investment strategy and are shown for illustrative purposes only. Benchmarks are presented merely to show general trends in the markets for the period and are not intended to imply that the portfolio is benchmarked to the indices either in composition or level of risk. The indices are unmanaged, are not available for direct investment, have no expenses (i.e., are gross of costs, fees or expenses associated with investing in the instruments that comprise the benchmark or financial index) and reflect reinvestment of dividends and distributions. A variety of factors may cause an index to be an inaccurate benchmark or proxy for a particular asset class and does not reflect the actual investment strategy of any client portfolio or any of the Firm’s investment strategies (or funds). In no way should the information about an index or proxy shown within this presentation be considered indicative or a guarantee of any results. Actual results differ, possibly substantially, from that shown.

Additional information about Wainwright Investment Counsel, LLC is also available at <https://adviserinfo.sec.gov/firm/summary/108711>. This information provided herein does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be used or relied upon in connection with any offer or sale of securities. The information herein reflects prevailing conditions and Wainwright’s judgments as of this date, all of which are subject to change without notice.

WAINWRIGHT INVESTMENT COUNSEL, LLC FINANCIAL MARKETS HIGHLIGHTS

Second Quarter 2025

Consumer Price Index rose 0.1% on a seasonally adjusted in May and rose 2.4% over the last 12 months. Core inflation, which excludes the volatile food and energy prices, rose 2.8% for the trailing year. Sticky as ever, inflation persists slightly above the target rate of 2%.

As indicated earlier in this letter, bond prices continued to rise, as yields have fallen, even with inflation remaining above “target” levels. Three and six month U.S. Treasury bill yields (4.3%), which track closely to Federal Funds levels, are just slightly higher than the quarter-end 10 year U.S. Treasury bond yield level. High yield bonds fared the best during this period, gaining 3.5% on a total return basis. Commodity prices were mixed, as gold and silver both returned around 5.6%. Oil fell 9.0% during the first half of 2025, despite the Israeli/Iranian conflict, and Fourth of July gas prices are projected to be their lowest since 2021.

The U.S. dollar continued its weak start to the year, down 10.7% against a basket of major currencies in 2025, as measured by the ICE U.S. Dollar Index. Factors both new and old are to blame, as tariff concerns combined with debt and inflation worries have softened the dollar. While “full-scale de-dollarization, if it ever comes, is still a long way away,” said Rick Rieder, Chief Investment Officer of global fixed income at BlackRock, the impact can be seen on stock returns outside of the U.S. For

dollar-denominated investors, the weak dollar buoyed international stocks’ continued outperformance over domestic stocks, with the MSCI EAFE Index of non-U.S., developed market stocks returning 11.8% during the quarter. Emerging market stocks did even better, gaining 12.0%, helped by both the weakening dollar and valuation. The EM Index’s price/earnings ratio currently sits around 15x, while the S&P 500 is nearly double at 27x (using 12 months trailing earnings).

Historically high valuations are best when supported by strong earnings, which thus far have come to fruition. S&P Global estimates S&P 500 earnings will grow high single digits during 2025 and mid double digits during 2026. They further estimate five-year annual earnings growth over 14%. Reasonably good realized earnings growth has led the likes of Yardeni Research to revise their forecast for the S&P 500 as recently as June 29, predicting that the index could rally to 6,500-7,000 by the end of 2025, or ~13% higher than present levels. If you recall, Yardeni (among many others) slashed their 2025 predictions in light of a volatile first quarter.

Have a safe and healthy summer, and please do reach out should you require anything.

Selected Index Returns (%) as of June 30, 2025 (Source: Morningstar Direct). 3, 5, 10 year returns are annualized.

	<u>April</u>	<u>May</u>	<u>June</u>	<u>QTR</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
S&P 500	-0.68	6.29	5.09	10.94	6.20	15.16	19.71	16.64	13.65
S&P 400	-2.25	5.40	3.58	6.71	0.20	7.53	12.83	13.44	9.25
Russell 2000	-2.31	5.34	5.44	8.50	-1.79	7.68	10.00	10.04	7.12
Wilshire US REIT Index	-2.67	2.06	-0.57	-1.24	-0.24	9.13	5.71	8.67	6.30
MSCI EAFE	4.58	4.58	2.20	11.78	19.45	17.73	15.97	11.16	6.51
MSCI Emerging Markets	1.31	4.27	6.01	11.99	15.27	15.29	9.70	6.81	4.81
Bloomberg US Aggregate Bond	0.39	-0.72	1.54	1.21	4.02	6.08	2.55	-0.73	1.76
Bloomberg High Yield	-0.02	1.68	1.84	3.53	4.57	10.29	9.93	5.97	5.38

The information contained herein is provided for informational and discussion purposes only. No chart, graph, or other figure provided should be used to determine which securities to buy, sell or hold. No representation is made concerning the appropriateness of any particular investment, security, portfolio of securities, transaction or investment strategy. **Investing involves risks, and there is always the potential of losing money.** Before entering into any financial transaction, you should ensure that you fully understand the terms, have evaluated the risks and have determined that the transaction is appropriate for you in all respects. You should consult with your personal legal, tax, or other advisors, including your financial professional, prior to making any investment decisions. **Past performance is never a guarantee of future investment results.**

Benchmarks and financial indices provide historical market data that serves as point of reference to compare the performance of a particular investment and/or investment strategy and are shown for illustrative purposes only. Benchmarks are presented merely to show general trends in the markets for the period and are not intended to imply that the portfolio is benchmarked to the indices either in composition or level of risk. The indices are unmanaged, are not available for direct investment, have no expenses (i.e., are gross of costs, fees or expenses associated with investing in the instruments that comprise the benchmark or financial index) and reflect reinvestment of dividends and distributions. A variety of factors may cause an index to be an inaccurate benchmark or proxy for a particular asset class and does not reflect the actual investment strategy of any client portfolio or any of the Firm’s investment strategies [or funds]. In no way should the information about an index or proxy shown within this presentation be considered indicative or a guarantee of any results. Actual results differ, possibly substantially, from that shown.

Additional information about Wainwright Investment Counsel, LLC is also available at <https://adviserinfo.sec.gov/firm/summary/108711>. This information provided herein does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be used or relied upon in connection with any offer or sale of securities. The information herein reflects prevailing conditions and Wainwright’s judgments as of this date, all of which are subject to change without notice.