



MONTHLY RECAP

FEBRUARY 2025

MONTHLY OBSERVATIONS

Diversification Mitigates Tough Month for US Equities

A reversal in the momentum trade sent US stocks mostly lower in February as the combination of a Fed on pause, weaker macro data, policy uncertainty, and elevated valuations drove a rotation out of US equities and into non-US equities and other asset classes. A theme of "AI exhaustion" was present as concerns around the capex spend on artificial intelligence, particularly by the famed Magnificent 7, drove a pullback in tech stocks with the Nasdaq Composite down nearly 4% on the month. Nevertheless, diversification worked throughout the month, as REITs and fixed income assets benefitted from lower rates, while infrastructure and gold provided volatility mitigation. Additionally, European stocks rallied, benefitting from the rotation out of US stocks, the potential for a Russia-Ukraine ceasefire, strong earnings, and political stability following elections in Germany.

Tariffs on the Horizon

Markets were caught off-guard at the beginning of the month when President Donald Trump made good on his promise to impose tariffs on Canada (25%), Mexico (25%), and China (10%), in addition to the threat of future tariffs on imports from the European Union. These announcements sparked a global selloff, which was mostly reversed following a 30-day delay on Canada and Mexico tariffs within days after the initial tariff threat, though the 10% tariffs on all Chinese imports China went into effect on February 4th.

On/Off-Again Ceasefire Deal

Despite the delicate political tensions and uncertainty, markets were quick to price in the potential for a cease-fire deal between Russia and Ukraine and the reinstatement of energy flows from Russia. This rally also coincided with a rally in European defense stocks as the UK, Germany, and France, all indicated various measures in support for additional defense spending.

ASSET MANAGER COMMENTARY

Large Cap Growth

Deep Seek news confirms "AI is for real" to anyone who had preconceived doubts. The open-source platform will allow others to build upon it, bringing access to AI to those originally priced out. Prices for AI in business models could eventually come down.

Emerging Market Equity

China has the capacity to help their economy and property issues, but there are several dynamics at play that has prevented more aggressive stimulus: China is culturally more deliberate in their reactions; there is a debt swap from the local to the national level that is taking time to complete and affects their ability to issue aid for the economy; and they are waiting to see how the Trump administration will attack them economically.

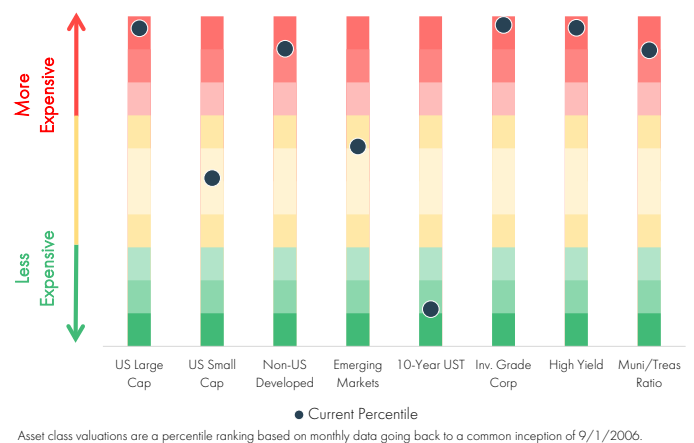
High Yield

Outlook seems relatively positive overall. Solid fundamentals and technicals are in place in the high yield market. Low defaults in the high yield market and recession odds are sitting at a fairly low level. Mergers and acquisitions are expected to pick up in activity with Trump being elected.

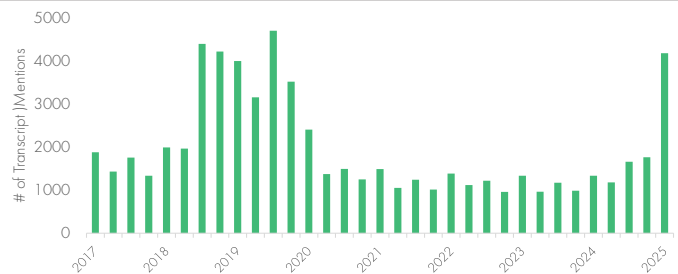
MARKET RETURNS - 2.28.2025

	1-Mo	QTD	YTD	2024	2023	2022	
Equity	S&P 500	-1.3%	1.4%	1.4%	25.0%	26.3%	-18.1%
	Nasdaq Composite	-3.9%	-2.3%	-2.3%	29.6%	44.6%	-32.5%
	Russell 1000 Growth	-3.6%	-1.7%	-1.7%	33.4%	42.7%	-29.1%
	Russell 1000 Value	0.4%	5.1%	5.1%	14.4%	11.5%	-7.5%
	Russell 2000	-5.3%	-2.9%	-2.9%	11.5%	16.9%	-20.4%
	MSCI EAFE	1.9%	7.3%	7.3%	3.8%	18.2%	-14.5%
Fixed Income	MSCI Emerging Markets	0.5%	2.3%	2.3%	7.5%	9.8%	-20.1%
	Treasury	2.2%	2.7%	2.7%	0.6%	4.1%	-12.5%
	Municipal	1.0%	1.5%	1.5%	1.1%	6.4%	-8.5%
	Aggregate	2.2%	2.7%	2.7%	1.3%	5.5%	-13.0%
FX	Investment Grade Corporate	2.0%	2.6%	2.6%	2.1%	8.5%	-15.8%
	High Yield Corporate	0.7%	2.0%	2.0%	8.2%	13.4%	-11.2%
	US Dollar Index	-0.7%	-0.8%	-0.8%	7.1%	-2.1%	7.9%
Real	Real Estate	4.2%	5.4%	5.4%	4.3%	11.5%	-25.1%
	Infrastructure	0.1%	2.3%	2.3%	14.0%	5.8%	-1.0%
	Oil	-4.6%	-1.2%	-1.2%	-4.2%	-10.3%	10.5%
	Gold	0.8%	7.5%	7.5%	26.6%	12.8%	-0.7%

ASSET CLASS VALUATIONS - 2.28.2025



Tariff Mentions Significantly Higher on Earnings Calls



With the election of Donald Trump for his second term, his administration is moving fast to implement various policy proposals made during the election campaign. Trade policy is a central component, especially as it relates to tariffs. Corporations have certainly taken notice given the explosion in mentions of "tariffs" on first quarter earnings calls.

Source: Bloomberg; See important information in the disclosures.



DISCLOSURES

© 2025 Advisory services offered by Moneta Group Investment Advisors, LLC, ("MGIA") an investment adviser registered with the Securities and Exchange Commission ("SEC"). MGIA is a wholly owned subsidiary of Moneta Group, LLC. Registration as an investment adviser does not imply a certain level of skill or training. The information contained herein is for informational purposes only, is not intended to be comprehensive or exclusive, and is based on materials deemed reliable, but the accuracy of which has not been verified.

Trademarks and copyrights of materials referenced herein are the property of their respective owners. Index returns reflect total return, assuming reinvestment of dividends and interest. The returns do not reflect the effect of taxes and/or fees that an investor would incur. Examples contained herein are for illustrative purposes only based on generic assumptions. Given the dynamic nature of the subject matter and the environment in which this communication was written, the information contained herein is subject to change. This is not an offer to sell or buy securities, nor does it represent any specific recommendation. You should consult with an appropriately credentialed professional before making any financial, investment, tax or legal decision. An index is an unmanaged portfolio of specified securities and does not reflect any initial or ongoing expenses nor can it be invested in directly. Past performance is not indicative of future returns. All investments are subject to a risk of loss. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets. These materials do not take into consideration your personal circumstances, financial or otherwise.

SOURCES

Morningstar Direct as of 2.28.2025

Bloomberg as of 2.28.2025

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group.

DEFINITIONS

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BofA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 9/1/2006. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE NR Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets NR Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BofA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BofA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.

The Magnificent 7 refers to the following seven stocks: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla