

MONTHLY RECAP

MARCH 2025

MONTHLY OBSERVATIONS

Diversification Benefits Shine During Another Tough Month for US Equities

Policy uncertainty and recession risks were the key themes in March as investors looked ahead to "Liberation Day" on April 2nd. US stocks continued to underperform global equities, particularly within US Large Cap Growth where tech stocks extended their underperformance on "AI Exhaustion" and CAPEX concerns. With the Fed continuing to remain on hold, US Small Cap stocks also underperformed given their susceptibility to higher rates and less pricing power in a trade war environment. Non-US equities held strong through most of the month, though they pulled back near the end of the month as President Trump's tariff narrative gained steam, a storyline that also weighed on the US dollar, benefitting EM stocks. Notably, defensive asset classes continued to shine, as fixed income was only marginally lower to slightly positive. Infrastructure and gold both saw gains over the month as well.

Policy Uncertainty Front and Center

During the month of March, new US import tariffs came into effect, including a 25% tariff on aluminum and steel, a 25% tariff of non-USMCA imports from Canada and Mexico, and an additional 10% tariff on all Chinese imports, bringing the total Chinese import tariff to 20%. Additionally, markets were looking ahead to "Liberation Day" on April 2nd, when President Trump planned to announce additional tariff measures.

Recession Fears Growing

Recession concerns gained traction as sentiment surveys ("soft data") increasingly turned negative while expectations for inflation spiked - creating fears of a "stagflation" environment where growth slows and inflation rises. Importantly, employment data and earnings ("hard data") held steady, illustrating the resilience of the US economy despite a high level of uncertainty.

ASSET MANAGER COMMENTARY

Large Cap Growth (Pre-April 2nd)

Anticipation was that Trump's tariff proposals would cause a one-time step up in prices while interest rates remain elevated. Expectation was that once companies know the rules, they can adjust accordingly, but the rules keep changing.

International Equity (Pre-April 2nd)

Since Inauguration Day in the U.S., there has been a seismic shift in the outlook for Europe. Germany opened their checkbook with the potential for at least 1 trillion euros in spending in defense and infrastructure. Additionally, Europe continues its push for clean energy to get off its dependence on Russian oil.

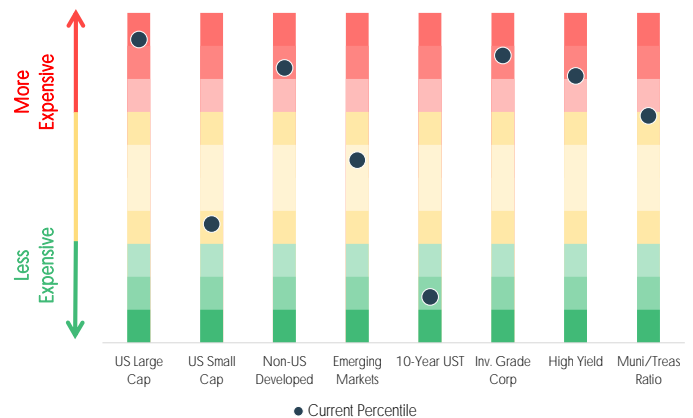
Small Cap Growth (Post-April 2nd)

The market hates this uncertainty. The tariff amounts were a surprise, but most of what we're going through is political theatrics. Uncertainty will eventually resolve, and while we don't know what the final tariff situation will be, the fog will lift, and business leaders can recalibrate.

MARKET RETURNS - 3.31.2025

	1-Mo	QTD	YTD	2024	2023	2022
Equity						
S&P 500	-5.6%	-4.3%	-4.3%	25.0%	26.3%	-18.1%
Nasdaq Composite	-8.1%	-10.3%	-10.3%	29.6%	44.6%	-32.5%
Russell 1000 Growth	-8.4%	-10.0%	-10.0%	33.4%	42.7%	-29.1%
Russell 1000 Value	-2.8%	2.1%	2.1%	14.4%	11.5%	-7.5%
Russell 2000	-6.8%	-9.5%	-9.5%	11.5%	16.9%	-20.4%
MSCI EAFE	-0.4%	6.9%	6.9%	3.8%	18.2%	-14.5%
MSCI Emerging Markets	0.6%	2.9%	2.9%	7.5%	9.8%	-20.1%
Fixed Income						
Treasury	0.2%	2.9%	2.9%	0.6%	4.1%	-12.5%
Municipal	-1.7%	-0.2%	-0.2%	1.1%	6.4%	-8.5%
Aggregate	0.0%	2.8%	2.8%	1.3%	5.5%	-13.0%
Investment Grade Corporate	-0.3%	2.3%	2.3%	2.1%	8.5%	-15.8%
High Yield Corporate	-1.0%	1.0%	1.0%	8.2%	13.4%	-11.2%
FX						
US Dollar Index	-3.2%	-3.9%	-3.9%	7.1%	-2.1%	7.9%
Real						
Real Estate	-2.4%	2.9%	2.9%	4.3%	11.5%	-25.1%
Infrastructure	2.0%	4.4%	4.4%	14.0%	5.8%	-1.0%
Oil	0.3%	-0.9%	-0.9%	-4.2%	-10.3%	10.5%
Gold	9.9%	18.2%	18.2%	26.6%	12.8%	-0.7%

ASSET CLASS VALUATIONS - 3.31.2025



Manufacturing Inventories Rose Ahead of Tariffs



In preparation for potential additional tariffs, many companies had been building inventories, with the ratio of inventory over new orders reaching levels seen during the Global Financial Crisis and COVID-19 Pandemic according to the March ISM Survey of Manufacturers. Additionally, survey data indicated that prices paid for inputs also drastically increased, especially when compared to prices paid by foreign manufacturers.

Source: Bloomberg. See important information in the disclosures.



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SOURCES

Morningstar Direct as of 3.31.2025

Bloomberg as of 3.31.2025

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