

## June Observations

### Second Quarter Ends on a High Note

Global equity markets extended their rally into June as continued economic strength reduced earlier recession fears and further improvement within various trade negotiations helped risk assets. The S&P 500 hit another all-time high as large cap tech stocks were buoyed by strong earnings reports and an ongoing recovery in valuations. Despite a strong quarter, non-US developed equities lagged US equities even as dollar weakness continued. That said, emerging markets were quite competitive, rising 6% as South Korea rose on the back of positive election outcomes and the ongoing recovery in tech and semiconductors stocks. Despite the Fed maintaining its target range for the federal funds rate and the US fiscal outlook, the yield curve shifted lower helping to boost returns for bonds. Listed real assets experienced more muted performance relative to global equity markets, with REITs finishing flat for the month and infrastructure rising nearly 2%, bringing its year-to-date return to almost 15%.

### One Big Beautiful Bill Takes Center Stage

June saw much debate and compromise over President Trump's OBBB which sought to extend the 2017 tax cuts. Many in the House and Senate expressed concerns over the impact to the US's fiscal outlook even as others promoted the potential economic benefits. Using the reconciliation process, which allows for a simple majority to pass legislation, both the House and Senate were negotiating their versions at month-end to send to Trump for his final signature.

### Markets Sidestep Middle East Escalation

A 12-day conflict between Israel and Iran, which saw the US drop bunker busting bombs on Iranian nuclear facilities, stoked concerns of a longer-term conflict, which did not come to pass. Although oil spiked sharply and still finished up 6%, gold finished flat for the month as risk assets maintained their upward trajectory with supportive economic growth trends.

## Asset Manager Commentary

### US Equity Manager

The number of stocks offering dividend yields above the 10-year Treasury has dropped sharply, reducing both diversification and quality options for income strategies. Currently, only 69% of Russell 1000 companies pay dividends, and just 36% yield more than 2%, with most of these concentrated in a few sectors like financials, real estate, and utilities. As a result, equity income strategies have a narrowed field—only about 10% of large-cap stocks—when seeking yields that outperform Treasuries.

### Global Asset Manager

While stagflation typically pressures corporate profits and market performance, equities still often deliver positive returns—though weaker than in other periods. High inflation and low growth pose challenges for businesses and central banks, making it harder to sustain earnings and balance interest rate decisions.

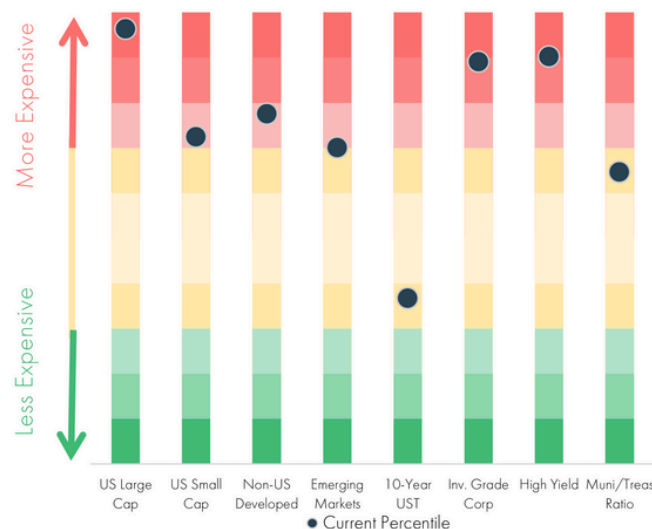
### Fixed Income

High yield bond defaults are at extremely low levels, currently sitting at 1.3% over the trailing 12 months vs a long-term average of 4.0%. This is in contrast to bank loans, which have a quarter over quarter default rate of 3% at the end of Q1 compared to a long-term average of 2.8%.

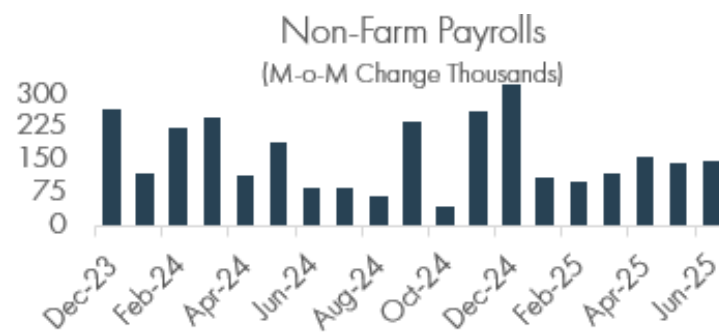
## Market Returns - 6.30.2025

		1-Mo	QTD	YTD	2024	2023	2022
Equity	S&P 500	5.1%	10.9%	6.2%	25.0%	26.3%	-18.1%
	Nasdaq Composite	6.6%	18.0%	5.9%	29.6%	44.6%	-32.5%
	Russell 1000 Growth	6.4%	17.8%	6.1%	33.4%	42.7%	-29.1%
	Russell 1000 Value	3.4%	3.8%	6.0%	14.4%	11.5%	-7.5%
	Russell 2000	5.4%	8.5%	-1.8%	11.5%	16.9%	-20.4%
	MSCI EAFE	2.2%	11.8%	19.4%	3.8%	18.2%	-14.5%
	MSCI Emerging Markets	6.0%	12.0%	15.3%	7.5%	9.8%	-20.1%
Fixed Income	Treasury	1.3%	0.8%	3.8%	0.6%	4.1%	-12.5%
	Municipal	0.6%	-0.1%	-0.3%	1.1%	6.4%	-8.5%
	Aggregate	1.5%	1.2%	4.0%	1.3%	5.5%	-13.0%
	Investment Grade Corporate	1.9%	1.8%	4.2%	2.1%	8.5%	-15.8%
FX	High Yield Corporate	1.8%	3.5%	4.6%	8.2%	13.4%	-11.2%
	US Dollar Index	-2.5%	-7.0%	-10.7%	7.1%	-2.1%	7.9%
Real Assets	Real Estate	0.1%	-1.1%	1.7%	4.3%	11.5%	-25.1%
	Infrastructure	1.8%	10.0%	14.9%	14.0%	5.8%	-1.0%
	Oil	5.8%	-7.6%	-8.4%	-4.2%	-10.3%	10.5%
	Gold	0.1%	5.2%	24.4%	26.6%	12.8%	-0.7%

## Asset Class Valuations - 6.30.2025\*



## Chart of the Month



Payrolls continue to be a stabilizing force for the US economy, confounding expectations for weakness which could stoke the Fed to lower rates sooner. For now, the Fed judges the labor market as "solid" and inflation "somewhat elevated", keeping any rate cut expectations contained.

# Disclosures

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## Sources

Morningstar Direct, Bloomberg as of 6/30/2025

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).

\*We have updated our valuation chart data source to expand our observation period to 1995, resulting in some minor changes in the valuation estimates. Asset class valuations are a percentile ranking based on monthly data going back to common inception of 12/31/1995. 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 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 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.