

### Verus business update

### Since our last Investment Landscape webinar:

- Verus hired Jenny Herring as RFP Manager and Dimitri Natsis as Portfolio Manager.
- In March, Evan Benedict and JC Faubion were promoted to Consultants, Lukas Seeley was promoted to Senior Consulting Associate, Colleen Flannery was promoted to Senior Associate Director | Public Markets, Kyle Jangard was promoted to Associate Director | Public Markets, Sneha Pendyala was promoted to Senior Markets Research Analyst, Matt Foppiano was promoted to Senior Private Markets Research Analyst, Phillip Thomas was promoted to Associate Director | Investment Analytics, Lamine Kaba and Cholo Villanueva were promoted to Senior Investment Analysts, and Nico Caballero is being promoted to Private Markets Research Analyst.
- The 2025 Active Management Environment was released.
- Recent research, found at <u>verusinvestments.com/research</u>:
  - LDI for Public Sponsors

This Matters, and This Doesn't

So, What Now?

Driving OCIO Governance Through Risk

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### Recent Verus research

### Visit: verusinvestments.com/research

### Thought leadership

### LDI FOR PUBLIC SPONSORS

We explore the dichotomy in LDI adoption between sponsor types. We discuss the characteristics of pension plans that make LDI strategies beneficial. We assess the current environment, to illustrate why LDI may appear relatively attractive today.

### SO, WHAT NOW?

Our CIO examines the current market environment after global tariffs are released by the U.S. government.

### THIS MATTERS, AND THIS DOESN'T

We offer a few perspectives regarding what we watch out for to acknowledge or even avoid biases where possible. Deciding what matters most to the portfolio by ensuring a balanced set of information sources, keeping a watchful eye for biases and carefully thinking about incentives, and also determining what doesn't matter.

### DRIVING OCIO GOVERNANCE THROUGH RISK

We examine active risk, which plays a large role in determining portfolio outcomes and success relative to that policy, and the elements that make up active risk.



### 1st quarter summary

### THE ECONOMY

- The threat and implementation of tariffs by the U.S. administration has been more aggressive than expected. A string of weak economic data, along with these policy decisions, have triggered a greater likelihood of recession. So far, the core aspects of the economy—employment, consumption, wage gains—remain fairly solid, while household and business sentiment has dropped substantially. It is not yet clear how souring sentiment will translate to the real economy. p. 11, 12 & 16
- U.S. inflation drifted lower towards the Federal Reserve 2% target. Inflation was 2.4% YoY in March, and core inflation rose 2.8%. But tariffs implemented by the Trump administration and an escalating trade war with China may push inflation upward. Given recent moves by the U.S. administration, most investors appear to expect weaker economic growth in 2025 and moderately higher inflation. This puts the Fed in a difficult position. p. 9

### **EQUITY**

— A change in tariff policy near the end of Q1 shocked markets and led to severe selloffs across global markets, with U.S. equities taking the worst of the losses. Growth stocks, notably the Magnificent 7, have led the market downward. Small capitalization stocks underperformed large caps. Businesses that have fully embraced globalization and outsourced supply chains may find themselves in a particularly difficult position due to the drastic shift in U.S. trade policy. p. 28 & 30

### **FIXED INCOME**

- The 10-year U.S. Treasury yield fell from 4.55% to 4.23% during the quarter, reflecting somewhat of a reversal of the economic optimism of Q4. p. 22
- Credit spreads widened during the quarter, and lower quality spreads saw larger shifts. High yield bond spreads rose by 41bps to 3.53%, while investment grade spreads rose to 1.0%. Despite recent widening events, credit spreads across all ratings remain below long-term historical averages. p. 23

### **ASSET ALLOCATION ISSUES**

- Sentiment quickly shifted in a negative direction in March as investors witnessed weaker-than-expected economic data in a variety of places and tariff standoffs between the U.S. and our largest trading partners flooded headlines.
   Many S&P 500 price targets have been adjusted lower due to fears of trade policy drag on the economy. p. 27
- Implied bond market volatility showed an extreme jump towards the end of Q1. Competing theories exist as to the cause, with some market participants attributing the move to fluctuations in foreign demand for U.S. dollars due to radical shifts in U.S. trade policy. Other investors believe these moves have been more driven by hedge fund trading and an unwinding of 'basis trades'—a levered trading strategy that tries to take advantage of differences between current Treasury price and the price reflected in futures contracts. p. 27

Tariff
negotiations &
weakness in
certain
economic data
have led to fears
of imminent
recession

For now, core economic dataemployment, spending, wages-are fairly solid



### What drove the market in Q1?

### "Rising fears of tariffs pummel U.S. consumer confidence to four-year low"

University of Michigan Consumer Sentiment													
Oct '24	Nov '24	Dec '24	Jan <b>'2</b> 5	Feb '25	Mar '25								
70.5	71.8	74.0	71.7	64.7	57.0								

Article Source: Reuters, March 25th, 2025

### "European stocks rise on defense spending pledge..."

EuroStoxx 5	0 outperform	nance over S&	P 500 by mon	th	
Oct '24	Nov '24	Dec '24	Jan '25	Feb '25	Mar '25
-4.8%	-8.1%	0.0%	+4.7%	+4.9%	+5.2%

Article Source: World Economic Forum, March 6th, 2025

### "Will Tariffs Drive the U.S. Into Recession?"

S&P 500 Price Level													
Oct 31 <sup>st</sup>	Nov 30 <sup>th</sup>	Dec 31 <sup>st</sup>	Jan 31 <sup>st</sup>	Feb 28 <sup>th</sup>	Mar 31 <sup>st</sup>								
5705	6032	5881	6040	5954	5611								

Article Source: Bloomberg, March 31st, 2025

### "Could Trump's New Tariffs Push More Countries to Ditch the Dollar?"

ICE U.S. Dollar Index												
Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	March 25							
104.0	105.7	108.5	108.5	107.6	104.2							

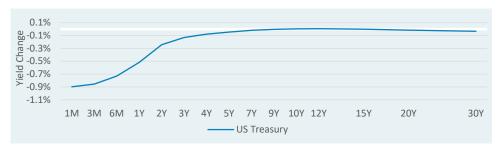
Article Source: Newsweek, April 9th, 2025

### **RELATIVE EQUITY PERFORMANCE**



Source: Bloomberg, as of 3/31/25

### **EXPECTED YIELD CURVE MOVEMENT OVER NEXT 1 YEAR**



Source: Bloomberg, as of 3/31/25

### **U.S. DOLLAR VALUE**



Source: Bloomberg, as of 3/31/25



## Economic environment



### U.S. economics summary

- Real GDP growth was negative during Q1, falling from 2.4% to -0.3% quarter-over-quarter annualized. The slowdown was driven by a substantial increase in imports relative to exports. Less government spending contributed to the weak figure, a notable change from past years where higher spending was an ongoing support. Consumer spending also slowed down.
- Investors witnessed broadly weaker economic data. This, along with the multifront U.S. trade tariff war, casts a shadow over sentiment and may be affecting business behavior due to heightened uncertainty. While fear is high, the core fundamentals of the economy remain relatively good—solid employment, decent spending, and low household debt levels. Investors will be watching closely for the way in which souring sentiment impacts the economy.
- The Federal Reserve kept rates steady, but communicated that weaker economic growth and moderately higher inflation is likely in store, due to U.S. administration tariff and trade policy.

- Lower growth and rising inflation places the Fed in a very difficult position regarding rate policy.
- U.S. inflation fell during Q1 towards the Federal Reserve 2% target. Inflation came in at 2.4% year-over-year in March, and core inflation rose 2.8%. Shelter prices (housing) has been the largest contributor to inflation, but in March showed a lower price rise of 2.5% annualized.
- Labor market conditions were strong in Q1. Unemployment remained low at 4.2%. The reductions in government workforce will likely have an impact on labor data for many months into the future, but the size of planned cuts relative to the total U.S. workforce is not enough to change the overall picture.
- Sentiment reversed abruptly in Q1 as households and businesses expressed substantial fears around tariffs. The University of Michigan Sentiment Index is now -30% below November 2024 levels, while NFIB Small Business Sentiment is nearly back to pre-election levels.

	Most Recent	12 Months Prior
Real GDP (YoY)	2.0% 3/31/25	2.9% 3/31/24
Inflation	2.8%	3.8%
(CPI YoY, Core)	3/31/25	3/31/24
Expected Inflation (5yr-5yr forward)	2.6% 3/31/25	2.4% 3/31/24
Fed Funds Target	4.25–4.50%	5.25–5.50%
Range	3/31/25	3/31/24
10-Year Rate	<b>4.2%</b> 3/31/25	<b>4.3</b> % <i>3/31/24</i>
U-3	<b>4.2%</b>	3.9%
Unemployment	3/31/25	3/31/24
U-6	7.9%	7.3%
Unemployment	3/31/25	3/31/24

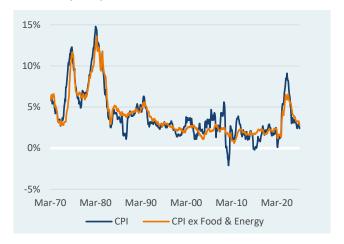


### Inflation

U.S. inflation (CPI) drifted lower during the quarter towards the Federal Reserve 2% target. Inflation was 2.4% year-over-year in March, and core inflation (excluding food & energy) rose 2.8%. Shelter prices (housing) has been the largest contributor to inflation, but in March showed only a 2.5% annualized rise. If this marks a trend towards lower shelter price rises, it could help provide some downward relief. However, tariffs implemented by the Trump administration and an escalating trade war with China will most likely push inflation higher, perhaps materially so.

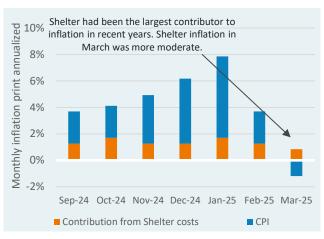
Given the change in environment and recent moves by the U.S. administration, most investors appear to expect weaker economic growth in 2025 and moderately higher inflation. It is difficult to estimate the direction of inflation in the nearterm—a slowdown in the economy generally has a dampening effect on inflation, and the recent drop in energy prices and moderation of housing costs also helps, but substantially higher tariffs will likely push prices higher in a variety of areas. This puts the Federal Reserve in a particularly difficult position regarding rate policy choices.

U.S. CPI (YOY)



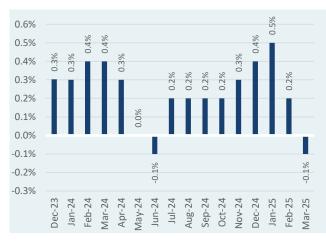
Source: BLS, as of 3/31/25

ANNUALIZED MONTHLY INFLATION



Source: BLS, Verus, of 3/31/25

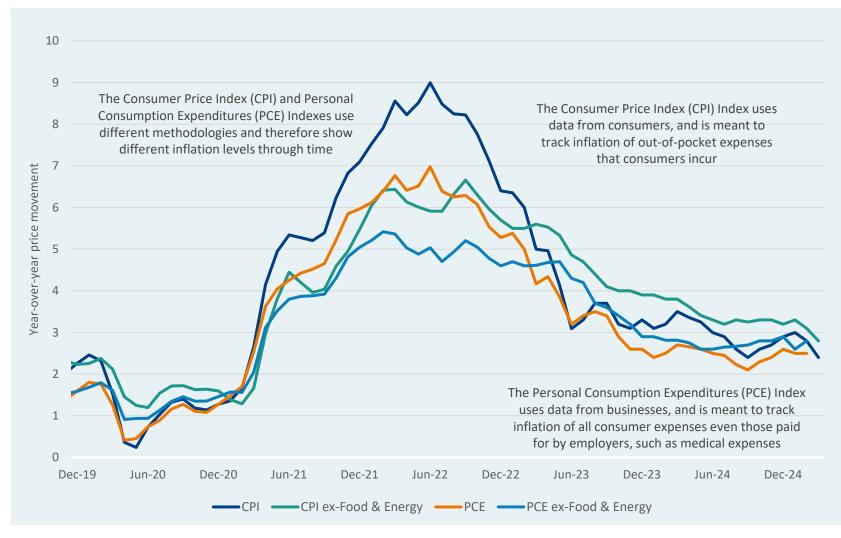
MONTHLY PRICE MOVEMENT (CPI)



Source: BLS, as of 3/31/25



### An (even more) uncertain inflation path



Tariffs pose an upside risk to inflation, but lower economic growth and falling commodity prices could provide dampening effects

Source: FRED, Verus, as of 3/31/25 – or most recent release



### GDP growth

Real GDP growth was negative during Q1, falling from 2.4% to -0.3% quarter-over-quarter annualized (2.0% year-over-year). The slowdown was driven by a substantial increase in imports relative to exports, which means more foreign products were purchased to the detriment of American products. Lower government spending also contributed to the weak figure, a notable change from past years where higher government spending had been an ongoing support. Consumer spending slowed from prior quarters which is a concern. Investment activity jumped, providing a partial offset to negative growth, although this appears to have been affected by a surge in purchases as consumers and businesses rushed spending to avoid future tariffs.

In 2024 investors had already broadly expected the U.S. economy to slow in 2025. However, trade negotiations and tariff fears have led to concerns of a much steeper slowing than initially assumed, possibly recession. But it is important to note that economic conditions remain generally good. Employment is high, wages are rising faster than inflation, household debt service costs are relatively muted, and many households continue to sit on considerable gains in wealth due to the rally in markets and appreciation of residential homes. We believe this helps mitigate the chances of a deeper recession. But policy uncertainty will likely have a larger and larger effect if it persists on an ongoing basis.

U.S. real GDP growth was negative during Q1 due to rising imports, less gov't spending, and slower consumer spending

### U.S. GDP EXPECTATIONS



Source: Bloomberg, median value of economist estimates

### U.S. REAL GDP COMPONENTS (QOQ)



Source: FRED, as of 3/31/25

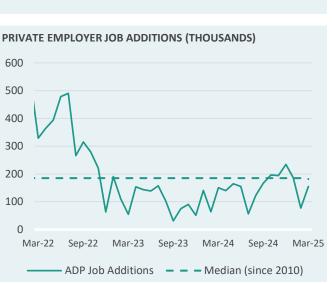


### Signs of economic weakness

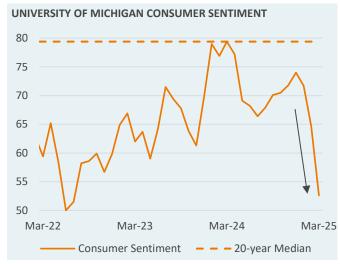
In February and March, economic data in a variety of places was weaker-than-expected. Household spending was strong in November and December but then fell suddenly in January—likely impacted by a cold winter season and California wildfires. Job gains showed a similar slowdown in the first two months of the year. The trade standoff between the U.S. and our largest trading partners, and fear of tariffs, appears to be casting a heavy shadow over consumer sentiment. These concerns may also be impacting business behavior due to uncertainty about future prices and conditions, and general pessimism. The longer that trade uncertainty persists, the larger the negative impact will likely be.

While weakness in the first quarter is concerning and notable, we continue to see the core fundamentals of the economy as relatively good—high levels of employment, decent consumer spending, manageable household debt levels, and the wealth effects from rising equity markets and home prices over the past decade could be supportive of positive economic growth in 2025.









Source: Challenger, ADP, University of Michigan as of 3/31/25, BEA as of 2/28/25



### Labor market

Labor market conditions have remained broadly strong. Unemployment was low at 4.2% in March.

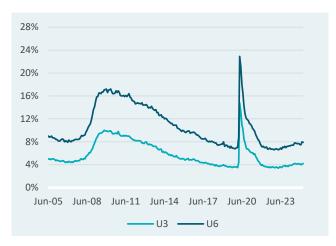
The reductions in government workforce will likely have an impact on labor data for future quarters, but the size of planned cuts relative to the total U.S. workforce is not enough to change the overall picture. We believe a larger risk to the economy would be a shift in business hiring/employment actions if the recent deterioration in business sentiment was to be sustained, though there do not seem to be signs of this so far.

The change in a country's population is a large determinant of the rate of economic growth. This means that a dramatic slowing in unlawful immigration over recent months will impact the labor market and total consumer spending, as well as other aspects of the economy. In specific industries, this shift will likely also affect wages, since undocumented immigrants are paid on average materially less than U.S. citizens. Tighter job markets in specific regions and across specific job types, with less supply of cheap labor, could lift wages for existing workers. Regardless of one's political leanings, we believe these impacts could be notable and will be important to watch and understand.

The job market remains relatively strong

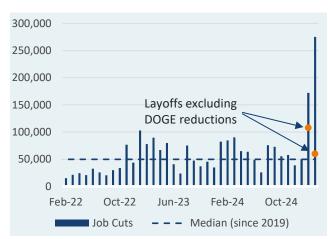
A reduced supply of cheap immigrant labor could lift wages in certain regions

### U.S. UNEMPLOYMENT



Source: FRED, as of 3/31/25

### **U.S. JOB CUT ANNOUNCEMENTS**



Source: Challenger, Gray & Christmas, as of 3/31/25

U.S. BORDER ENCOUNTERS (MONTHLY)



Source: U.S. Customs & Border Protection, as of February 2025

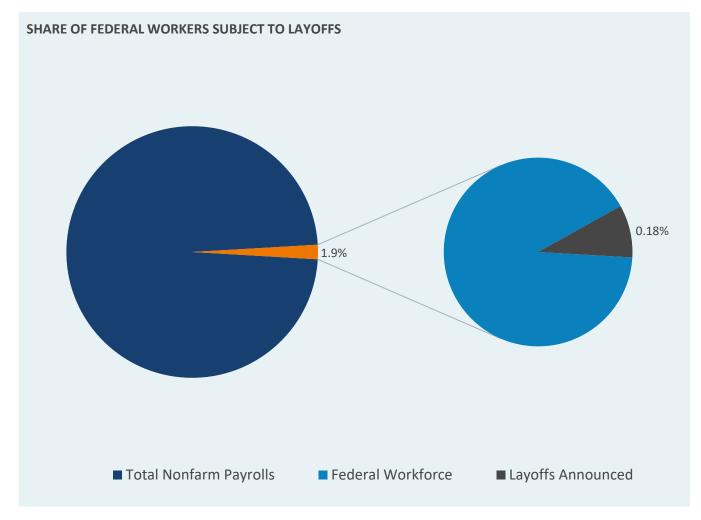


### Impacts of DOGE job reductions

### How might federal workforce reductions impact the labor market?

President Donald Trump and Elon Musk's Department of Government Efficiency (DOGE) has moved quickly to take an aggressive approach to cutting both spending and jobs. Unsurprisingly, given the speed of action and unique tactics, many initiatives are being challenged in court. It appears very likely that the Trump Administration will be at least somewhat successful in eliminating what it sees as wasteful spending, effectively reducing the size and scope of the Federal government.

With federal workers making up less than 2% of the overall labor force, a portion of layoffs within this group is unlikely to make big waves in the labor market and a spike in unemployment, although certain regions will see a bigger impact. DOGE actions led to a total of 280,000 layoffs in February and March (0.18% of the total workforce). While job losses are always unfortunate, the total impact may not be enough to change the direction of the economy.



Source: Verus, BLS, Challenger Survey, as of 3/31/25



### The consumer

Inflation-adjusted personal spending growth was 2.7% yearover-year in February, slower than the latter-half of 2024 but still at a moderately strong level that implies an average rate of overall economic growth. Spending in January was the weakest in nearly four years, although an exceptionally cold winter (which tends to dampen purchases) and California wildfires may have contributed to this effect.

It will be important to monitor whether slow winter spending turns into a sustained downturn, further fueled by a sharp downturn in sentiment and tariff fears. Automobile and

apparel sales often see the greatest drop during an economic downturn, which suggests these sectors may provide a helpful barometer for the overall economy in 2025.

The average household savings rate improved from 3.3% to 4.6% during the quarter. Although weather effects also likely had an impact on these figures, we would assume that broad deterioration in consumer sentiment is contributing to greater savings due to economic uncertainty.

### REAL PERSONAL SPENDING



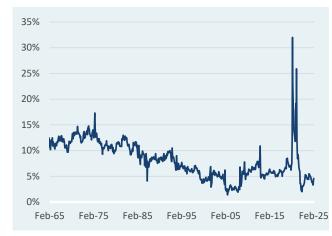
### Source: FRED, as of 2/28/25

### **AUTO & APPAREL SALES**



### Source: FRED, as of 2/28/25

### PERSONAL SAVINGS RATE



Source: FRED, as of 2/28/25



### Sentiment

Sentiment reversed abruptly in Q1, as households and businesses expressed fears around tariff uncertainty. Changes in consumer sentiment became visible in multiple surveys, while imports jumped dramatically because businesses rushed to purchase foreign products to avoid possible future tariffs. Household forecasts of U.S. inflation over the next year rose to 6.7% (interestingly, republican voters expect 2% inflation while democratic voters expect nearly 10% inflation).

The University of Michigan Consumer Sentiment survey fell for four consecutive months. The partisan divide regarding expectations for the economy have reached extreme levels. While those survey respondents who identify as Republican feel

fairly good about economic prospects, those who identify with the Democratic Party feel that conditions are worse than the 2008-2009 Global Financial Crisis. In such a hyperpartisan environment it may be useful to watch for political biases that exist in surveys. The Conference Board Consumer Confidence Index in March reflected a similar downward trend, reaching the poorest sentiment since 2021.

Small business sentiment deteriorated to 97.4 in March, nearly erasing the post-election enthusiasm for Republican probusiness policies. The net percent of business owners expecting better business conditions fell to 21%, the largest monthly decline since late-2020.

Sentiment dropped sharply during Q1 on tariff & inflation fears, as well as a greater chance of recession

### CONSUMER SENTIMENT (UNIV. OF MICHIGAN)



Source: University of Michigan, as of 3/31/25

### CONSUMER CONFIDENCE (CONFERENCE BOARD)



Source: Conference Board, as of 2/28/25

### NFIB SMALL BUSINESS SENTIMENT



Source: NFIB, as of 3/31/25



### Housing

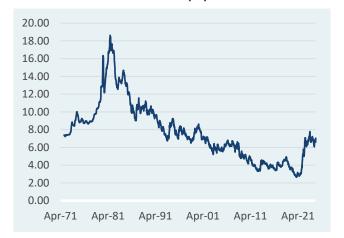
The average 30-year mortgage rate fell from 6.9% to 6.7% during the quarter, as Treasury yields broadly trended lower. Home prices have increased 3.3% year-over-year as of January, according to CoreLogic.

The U.S. residential housing market seems to be rebalancing slightly in terms of supply and demand: rising inventories but very low sales activity. However, there are few indications that home affordability, which is at a record poor level, is set to improve in the near-term. One path to better affordability could result from further increases in inventory coming to market which pressures sellers to reduce prices in order to incentivize buyers who have more inventory to choose from. Another path to

affordability would, of course, be lower mortgage interest rates, although a drop in interest rates historically has tended to result in a jump in home prices, which could counteract affordability gains.

The nationwide average cost to rent continues to be generally flat (+0.3% in February YoY according to Redfin). As average hourly wages are growing at a 4% annual rate, a persistent trend of flat rent costs will help improve rental affordability for those who do not own a home. Substantial increases in multifamily supply have reportedly contributed to downward rent pressure, with the median asking rent price falling to \$1.78 per square foot—the lowest level in nearly 4 years.

### **30-YEAR MORTGAGE RATE (%)**



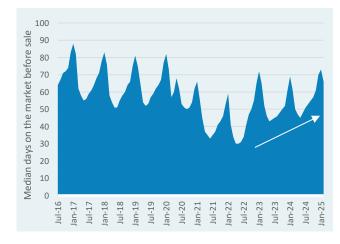
Source: Freddie Mac, as of 3/31/25

### **EXISTING HOME SALES**



Source: National Association of Realtors, as of 2/28/25

### **AVERAGE DAYS ON THE MARKET**



Source: FRED, as of 2/28/24



### International economics summary

- Major economies around the world face acute risks of economic slowdown due to the imposed tariffs of the U.S. administration (this includes the U.S. economy, of course). That risk comes at a time when many countries already struggle with lower growth and structural headwinds. Outcomes of trade negotiations, and the time it takes for conclusions to be reached, will likely have a notable impact on near-term growth. In short, tariff outcomes will be hugely important.
- Eurozone economies grew only 1.2% YoY in Q4. Expectations are for continued very weak growth of 0.9% in 2025, according to ECB staff, as of March. This forecast aligns with the consensus economists forecast. Trade and geopolitical uncertainty may create an additional drag on the region since these forecasts assume U.S./China tariffs but no U.S./EU tariffs. A prolonged trade war between the U.S. and the Eurozone could mean even greater economic drag.

- German elections concluded with a win for the conservative Christian Democratic Union (CDU) and its alliance the Christian Social Union (CSU) with 28.6% of the vote. A two-way coalition with the runner-up Alternative for Germany (AFD) is unlikely to form despite its impressive rise in popularity.
- On February 5th, the Bank of England (BOE) decided with a seven-two vote to cut interest rates by 25bps to 4.5%. This marked the third consecutive cut over the past six months. The BOE cited cooler-than-expected December inflation as a main contributing factor.
- As the U.S. administration appears to be focusing maximum pressure on China regarding trade and business practices, the intense market volatility experienced in early April could be setting the stage for the remainder of 2025. Some estimates put China's economic growth rate this year at perhaps 4% or even 3%, below the 5% stated goal of the Chinese Communist Party.

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United	2.0%	2.4%	<b>4.2</b> % <i>3/31/25</i>
States	3/31/25	3/31/25	
Eurozone	1.2%	2.2%	6.1%
	12/31/24	3/31/25	2/28/25
Japan	2.8%	3.7%	2.4%
	12/31/24	2/28/25	2/28/25
Canada	1.5%	2.6%	6.7%
	12/31/24	2/28/25	3/31/25
BRICS	5.2%	1.7%	5.4%
Nations	12/31/24	3/31/25	3/31/25
Brazil	3.4%	5.5%	6.8%
	3/31/25	3/31/25	2/28/25
Russia	3.1%	10.3%	2.4%
	9/30/24	3/31/25	2/28/25
India	<b>6.2</b> % 12/31/24	3.3% 3/31/25	7.1% 12/31/24
China	5.4%	(0.1%)	5.4%
	12/31/24	3/31/25	2/28/25

NOTE: India lacks reliable government unemployment data. Unemployment rate shown above is estimated from the Centre for Monitoring Indian Economy. The Chinese unemployment rate represents the monthly surveyed urban unemployment rate in China.

### International economics

The Eurozone grew only 1.2% YoY Q4. Expectations are for continued weak growth of 0.9% in 2025. The ECB cut rates for the sixth consecutive time in Q1, citing the weak economic outlook and continued moderation of inflation as the main factors, with additional rate cuts expected in 2025. A prolonged trade war could lead to even greater economic drag and renewed inflationary pressures.

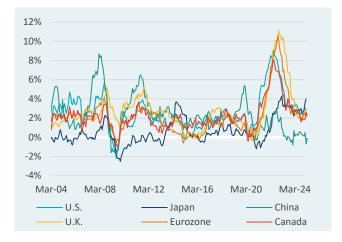
The U.S. announced a series of tariffs in 2025, initially including a 20% tariff on all Chinese imports and a 25% tariffs on certain imports from the EU, Canada, and Mexico. The U.S. followed up with expanded tariffs on "Liberation Day", including a 10% baseline rate and rates of 54% on China, 20% on the EU, and 25% on Canada and Mexico. The U.S. has generally cited goals of business operation onshoring, national defense, improving

the trade deficit / foreign terms of trade, and immigration and drug control as intended outcomes of recent tariff policy.

The EU, Canada, and Mexico initially responded to "Liberation Day" with counter-tariffs on certain U.S. goods. Counter-measures were suspended after the U.S. announced a 90-day pause on tariff increases, bringing the EU, Mexico, and Canada to the baseline rate of 10%. We believe it is likely that the 10% baseline tariff stays in place for the long-term.

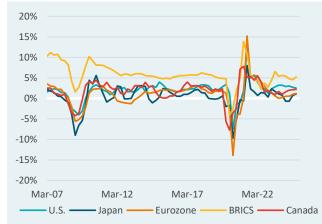
The U.S. China trade war continued to escalate following "Liberation Day", with tariff rates ultimately reaching 145% on Chinese goods and 125% on U.S. goods, halting many aspects of trade between the nations, as of mid-April. The tariff rate on Chinese goods was exempt from the U.S. 90-day pause.

### INFLATION (CPI YEAR-OVER-YEAR)



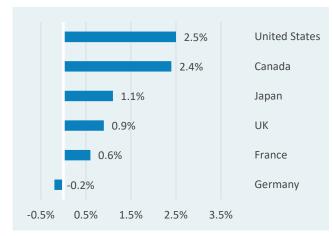
Source: BLS, Verus, as of 3/31/25 or most recent date

### REAL GDP GROWTH (YEAR-OVER-YEAR)



Source: BLS, Verus, as of 3/31/25 or most recent date

### Q3 REAL GDP GROWTH (YOY)



Source: BLS, Verus, as of Q4 2024



# Fixed income rates & credit



### Fixed income environment

- The 10-year U.S. Treasury yield fell slightly from 4.55% to 4.23% during the quarter, reflecting a reversal in the economic optimism of Q4.
- The Federal Reserve kept rates steady but has communicated an expectation of weaker economic growth and moderately higher inflation in 2025, due to U.S. administration tariffs and trade policy. Falling growth but rising inflation would put the Fed in a very difficult position regarding policy decisions. At the beginning of Q1 investors were expecting two rate cuts in 2025. This has since jumped to 4.
- The yield premium of U.S. Treasuries over that of European debt—German bunds in particular—shrunk materially during the quarter. The dual narratives of weaker-than-expected U.S. growth in 2025, and debt limit easing in Germany which could boost growth, has sent yields of those countries closer to parity.
- Longer duration credit slightly outperformed shorter duration. This behavior likely reflected a shift in

- market sentiment from year end, during which uncertainty in fiscal and monetary policy contributed to a bear steepening of the yield curve. Long duration corporate bonds gained +2.38% while Bank loans added +0.6% and high yield returned +1.0%.
- Credit spreads widened due to risk off movements, and lower quality spreads experienced the largest shifts. High yield bond spreads rose by 41bps to 3.53%, while investment grade spreads rose to 1.0%. Despite recent widening events, credit spreads across all ratings remain below long-term historical averages.
- U.S. Treasury yields showed extreme jumps. Some investors attributed the move to fluctuations in foreign demand for U.S. dollars due to shifts in U.S. trade policy. Others believe these moves have been driven by hedge fund trading and an unwinding of 'basis trades'—a levered trading strategy that tries to take advantage of differences between current Treasury price and prices of futures contracts.

	QTD Total Return	1 Year Total Return
Core Fixed Income (Bloomberg U.S. Aggregate)	2.8%	4.9%
Core Plus Fixed Income (Bloomberg U.S. Universal)	2.7%	5.2%
U.S. Treasuries (Bloomberg U.S. Treasury)	2.9%	4.5%
U.S. Treasuries: Long (Bloomberg U.S. Treasury 20+)	4.7%	1.3%
U.S. High Yield (Bloomberg U.S. Corporate HY)	1.0%	7.7%
Bank Loans (S&P/LSTA Leveraged Loan)	0.6%	7.0%
Emerging Market Debt Local (JPM GBI-EM Global Diversified)	4.3%	4.0%
Emerging Market Debt Hard (JPM EMBI Global Diversified)	2.2%	6.8%
Mortgage-Backed Securities (Bloomberg MBS)	3.1%	5.4%

Source: Standard & Poor's, J.P. Morgan, Bloomberg, as of 3/31/25



### Yield environment

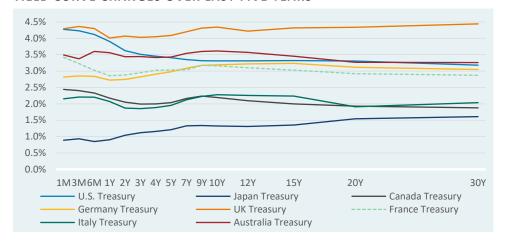
### U.S. YIELD CURVE



### **GLOBAL GOVERNMENT YIELD CURVES**



### YIELD CURVE CHANGES OVER LAST FIVE YEARS



### IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 3/31/25



### Credit environment

During the quarter, longer duration credit slightly outperformed shorter duration despite the Federal Reserve holding rates at previous levels. This behavior likely reflected a shift in market sentiment from year end, during which uncertainty in fiscal and monetary policy had contributed to a sharp bear steepening of the yield curve. During Q1 investors observed a trend towards higher quality credit, as long duration investment grade corporate bonds (Bloomberg U.S. Long Corporate Credit) gained 2.38% while Bank loans added +0.6% (S&P/LSTA Leveraged Loans) and high yield returned +1.0% (Bloomberg U.S. Corporate High Yield).

Returns within the high yield bond market reflected similar slight risk-off movement, with lower quality credits experiencing the worst performance. Bonds rated CCC, including distressed credit, lost -2.31%, compared to

bonds rated B, which returned -1.36% and BB, which returned -0.57%. Similarly, lower quality bank loans underperformed higher quality. CCC-rated loans returned -2.14%, compared to -0.33% and +.02% for B- and BB-rated loans, respectively.

Credit spreads widened due to initial risk off movements, and lower quality spreads experienced largest shifts. High yield bond spreads rose by 41bps to 3.53%, while investment grade spreads rose to 1.0%. Despite recent widening events, credit spreads across all ratings remain below long-term historical averages, suggesting investors are still somewhat confident in the ability of businesses to service debt.

### **SPREADS**



Source: Barclays, Bloomberg, as of 3/31/25

### YIELD TO MATURITY



Source: Bloomberg, J.P. Morgan as of 3/31/25

### CREDIT SPREAD (OAS)

Market	3/31/25	3/31/24
Long U.S. Corp	1.2%	1.1%
U.S. Inv Grade Corp	0.9%	0.9%
U.S. High Yield	3.5%	3.0%
U.S. Bank Loans*	4.7%	4.9%

Source: Barclays, Credit Suisse, Bloomberg, as of 3/31/25 \*Discount margin (4-year life)



### Default & issuance

Total default activity remained below the two-year average during Q1, as the economy continued to demonstrate strength and recession forecasts prior to April were relatively muted. During the quarter, seven companies defaulted, totaling more than \$1.2 billion in bonds and \$4.8 billion in loans. Monthly default activity consistently came in at less than half of the monthly average default volume of 2023 and 2024 (\$7.1 billion).

While defaults and distressed activity was subdued across credit, loans surpassed bonds in default and distressed exchange activity. During the quarter, eight companies completed a distressed exchange totaling \$580 million in bonds and \$4.4 billion in loans. This total of less than \$5 billion in total distressed credit volume was significantly lower than the \$19.4 billion seen in Q4 and was the lightest quarterly default/LME volume since Q4 2022.

High yield bond default rates rose slightly to 1.2% but were less than half of the default rate of one year prior. Current figures remain well below the long-term annual average of 3.4%. Loan default rates rose slightly to 3.9%, up 0.3% from one year prior. Notably, this gap in default rates between leveraged loan and high yield (2.7%) is a reduction from the 3% gap five months ago that represented the high-water mark since 2000.

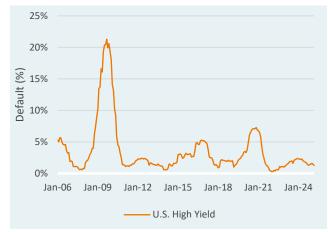
Quarterly issuance volume for high yield bonds was lower, totaling \$68.3 billion, down 22% year over year, which compares to \$87.6 billion in Q1 2024. Bank loans saw significantly higher levels of issuance, totaling \$337 billion, which was 6% greater than one year prior. However, this represented a reduction from the previous record levels of issuance seen in Q4 (\$505 billion). It is possible that changing higher interest rate expectations due to actions of the Trump administration could be affecting issuance decisions.

### U.S. BANK LOAN DEFAULTS (LAST 12 MONTHS)



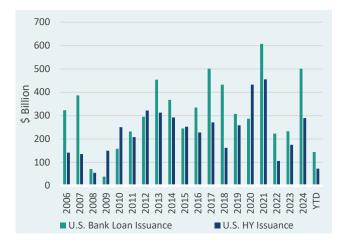
Source: BofA Merrill Lynch, Verus, as of 3/31/25 – par weighted

U.S. HY SECTOR DEFAULTS (LAST 12 MONTHS)



Source: BofA Merrill Lynch, as of 3/31/25 - par weighted

U.S. ISSUANCE (\$ BILLIONS)



Source: BofA Merrill Lynch, as of 3/31/25



# Equity



### Equity environment

- Domestic equities delivered substantial underperformance during Q1 (S&P 500 -4.3%) relative to international developed (MSCI EAFE +6.9%) and emerging market equities (MSCI EM +2.9%)—a notable change in trend from recent years. The S&P 500 entered a technical correction mid-March.
- A sentiment shift away from U.S. stocks and towards foreign markets occurred in recent months, as tariff concerns spooked investors and contributed to recession fears. At the same time, certain European governments have indicated a greater willingness to invest in local economies, possibly generating better economic growth. This contributed to a rotation out of U.S. market and into Europe.
- Growth stocks, notably the Magnificent 7, have led the market downward, although small capitalization stocks still underperformed large caps.

- Businesses that have fully embraced globalization and outsourced supply chains may find themselves in a particularly difficult position due to the drastic shift in U.S. trade policy.
- Chinese markets climbed in February on the heels of the DeepSeek launch in January, when President Xi Jinping reportedly met with tech leadership. Also, signs that the real estate bear market may be easing, and that consumer spending may be turning upward, generating impressive Q1 returns.
- Market-priced volatility jumped in early March as tariff announcements, trade negotiations, and fears of general economic weakness spooked markets, leading to a broad selloff of U.S. assets. As trade fears intensified in the first week of April, global markets saw one of the most sudden drops in modern history which sent the VIX to 52.

	QTD TO	TAL RETURN	1 YEAR TOTAL RETURN					
	(unhedged)	(hedged)	(unhedged)	(hedged)				
U.S. Large Cap (S&P 500)	(4	1.3%)	8.3%					
U.S. Small Cap (Russell 2000)	(9	9.5%)	(4.	0%)				
U.S. Equity (Russell 3000)	(4	1.7%)	7.	2%				
U.S. Large Value (Russell 1000 Value)	2	2.1%	7.2%					
U.S. Large Growth (Russell 1000 Growth)	(1	1.1%)	7.8%					
Global Equity (MSCI ACWI)	(1.3%)	(2.2%)	7.2%	14.7%				
International Large (MSCI EAFE)	6.9%	3.4%	4.9%	6.8%				
Eurozone (EURO STOXX 50)	10.9%	7.8%	5.5%	8.2%				
U.K. (FTSE 100)	12.1%	6.0%	6.2%	11.7%				
Japan (TOPIX)	1.2%	(2.4%)	(0.6%)	9.2%				
Canada (S&P/TSX)	1.5%	2.5%	9.0%	26.7%				
Emerging Markets (MSCI Emerging Markets)	2.9%	2.5%	8.1%	11.2%				

Source: Standard & Poor's, FTSE, MSCI, STOXX, JPX, as of 3/31/25 – performance quoted from perspective of U.S. dollar investor



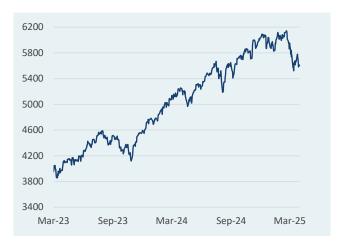
### Domestic equity

U.S. equities performed poorly in Q1 with the S&P 500 down -4.3% (note: this does not include the dramatic global selloff of early April). In a change of pace from 2024, mega-cap stocks in Q1 acted as a drag on the overall index, as these previously high-flyers struggled on growth and tariff concerns. Domestic equities have notably underperformed both international (MSCI EAFE +6.9%) and emerging markets (MSCI EM +2.9%) year-to-date. Domestic businesses that have fully embraced globalization and outsourced supply chains may find themselves in a particularly difficult position due to the drastic shift in U.S. trade policy.

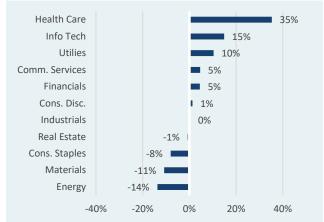
Year-over-year earnings growth of the S&P 500 is expected to be 7.3%, according to FactSet as of April 11<sup>th</sup>. During the quarter, analysts lowered EPS estimates slightly more than normal, by -4.2% which compares to the 5-year average adjustment of -3.3%. Materials and consumer discretionary sectors saw the largest adjustments, suggesting signs of expected economic weakness. It is very likely that future corporate earnings guidance will turn negative to reflect the more difficult trade and growth environment.

U.S. equities underperformed dramatically during Q1, reversing a multi-year trend

### **S&P 500 PRICE INDEX**

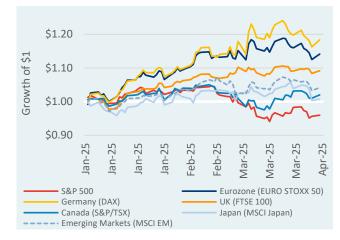


### S&P 500 EPS GROWTH (YEAR-OVER-YEAR)



Source: Factset, as of 4/11/25

### REGIONAL EQUITY PERFORMANCE (YTD)

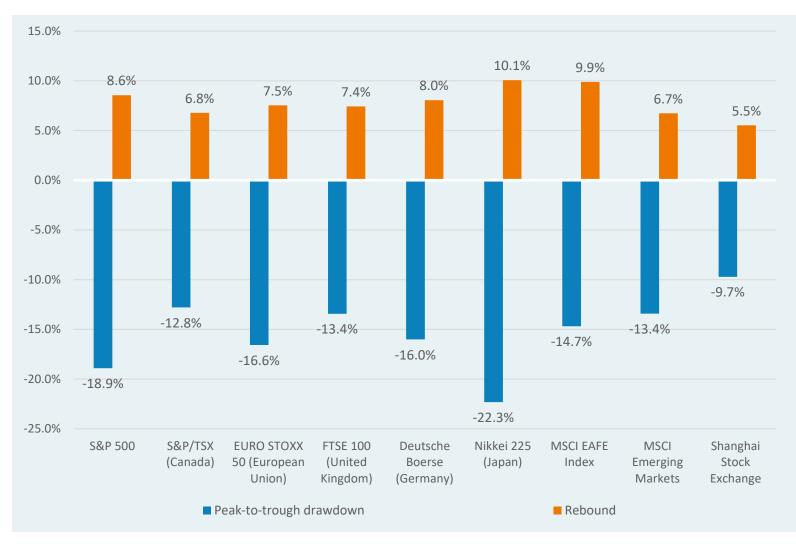


Source: Verus, Bloomberg, Verus, as of 3/31/25



Source: Standard & Poor's, as of 3/31/25

### Tariff-induced selloff



On April 2<sup>nd</sup>,
President Trump
announced widereaching tariffs on
most trading
partners. The level
of tariffs were far
higher than
investors had
expected, resulting
in large risk-off
market moves.

The domestic market has faced the most pain given that it has chosen trade conflict with many trading partners, while other regions face conflict only with the U.S.

Source: Verus, as of 4/14/25



### Domestic equity size & style

Small cap equities underperformed large caps year-to-date (FTSE Russell 2000 -9.5% vs. FTSE Russell 1000 -4.5%), despite a drawdown across mega cap stocks. Value stocks on the other hand outperformed growth stocks substantially (FTSE Russell 1000 Value +2.1% vs FTSE Russell 1000 Growth - 10.0%), as many investors tend to seek safer higher dividend paying stocks during riskier environments and heightened recession risk. These effects could be seen in sector performance disparities during the quarter, with energy, utilities, and financials outperforming materially. Information technology was one of the worst performing sectors.

Ongoing style factor volatility may be a feature of Q2, given the historically sudden global market selloff that occurred in early April, which has hit mega cap growth and tech stocks particularly severely.

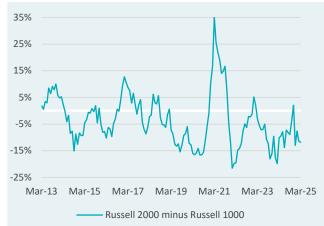
On a one-year lookback basis, large cap value stocks have become the leader among U.S. style groups, and small cap growth the laggards. Small cap & value lagged in Q1 while value outperformed growth substantially (+2.1% vs - 10.0%)

### VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



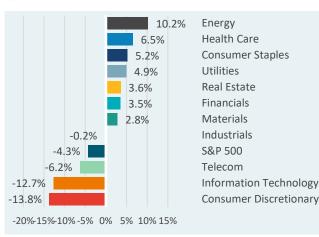
Source: FTSE, as of 3/31/25

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE Russell, as of 3/31/25

Q1 PERFORMANCE



Source: Morningstar, as of 3/31/25



### Less Magnificent 7



The Magnificent 7 suffered large losses during the market selloff

Nearly all members of this group are lagging the S&P 500 YTD

Source: Verus, Bloomberg, as of 4/14/25



### International developed equity

In a sharp reversal from years of U.S. outperformance, domestic stocks entered technical correction territory in March while non-U.S. stocks— European markets in particular—took the lead. Weakening U.S. conditions and the Trump Administration's "Liberation Day" tariff contributed to a dramatic fall in domestic stocks later in March and the first week of April. European stocks have rallied on hopes for stimulus, easing of debt ceilings, and perhaps investments in greater European independence. Depreciation of the U.S. dollar further fueled international stock outperformance for U.S. investors. For the first time in quite some time, many investors are seeking opportunities outside of the U.S. market.

International developed shares (MSCI EAFE +6.9%) and emerging market equities (MSCI EM +2.9%) both outperformed domestic stocks (S&P 500 -4.3%).

President Trump's approach of attempting to negotiate with all of America's trade partners all at once places the U.S. in a uniquely difficult economic position. For example, while China faces a trade war with only a single trading partner (the United States), here at home we face a trade war with multiple trading partners. It could be argued that the negative economic impacts on the U.S. from this trade war could be much larger than the negative economic impacts that many other countries will endure.

### INTERNATIONAL DEVELOPED EQUITY



Source: MSCI, as of 3/31/25

### REGIONAL STOCK PERFORMANCE YTD



Source: Verus, Bloomberg, as of 3/31/25

### REGIONAL RETURNS (PEAK-TO-TROUGH)



Source: Verus, Bloomberg, as of 4/14/25



### Emerging market equity

Emerging market equities (MSCI EM +2.9%) delivered moderately positive returns in Q1, outperforming U.S. equities, fueled by China's equity rally. Chinese markets climbed notably in February on the heels of the DeepSeek launch in January, when President Xi Jinping reportedly met with tech leaders for the first time in several years. This meeting could help to bolster investor confidence in Chinese tech despite ongoing structural challenges across the local investment landscape. Additionally, signs that the bear market in residential real estate may be easing, and that consumer spending may be turning upward, generated market excitement and an impressive Q1 (MSCI China Index +11.3%).

This movement served as a helpful reminder that larger regional markets can have big performance impacts an overall emerging markets allocation.

As the U.S. administration appears to be focusing maximum pressure on China regarding trade and business practices, the intense market volatility experienced in early April seems to set the table for the remainder of 2025. Some estimates put China's economic growth rate this year at perhaps 4% or even 3%, below the 5% target publicized by the Chinese Communist Party.

### **EMERGING MARKET EQUITY**



Source: MSCI, as of 3/31/25

### MSCI EM 2025 Q1 COUNTRY RETURNS (USD)



Source: Verus, Bloomberg, as of 3/31/25

### CHINA'S COMEBACK



Source: MSCI, as of 3/31/25



### Equity valuations

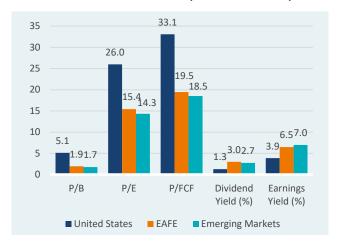
U.S. equity multiples fell materially during the market selloff, while international equities performed moderately well with little valuation movement. This reduced some of the historically wide valuation gap between markets.

Many investors have become more bearish on U.S. stocks due to actions of the U.S. administration. At the same time, certain European governments have indicated a greater willingness to invest in local economies, possibly generating stronger economic growth rates in the future. These trends have fueled some rotation of investment dollars out of the U.S. market and into Europe. As a consequence of the Trump administration foreign policy, conversations have taken place in the investor community

around diversification and the fact that many portfolios have become intensely U.S.-concentrated over time. Additionally, U.S. valuations are historically high relative to other markets.

High valuations are a product of fantastic earnings growth forecasts, and rosy expectations that U.S. exceptionalism will continue. If those expectations begin to show cracks, and investors seek opportunities elsewhere due to a less welcoming U.S. investment environment, valuations could change. However, we feel that this story is a bit overdone—the fundamental justifications for a U.S. equity premium will probably remain intact despite tariff pain that might occur in the near- and medium-term.

### **MSCI VALUATION METRICS (3-MONTH AVG)**



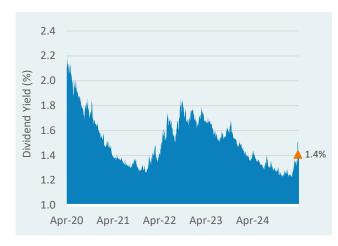
Source: MSCI, Verus, as of 3/31/25 – trailing P/E

### FORWARD P/E



Source: MSCI, as of 3/31/25

### **S&P 500 HISTORICAL DIVIDEND YIELD**



Source: Standard & Poor's, Verus, as of 3/31/25



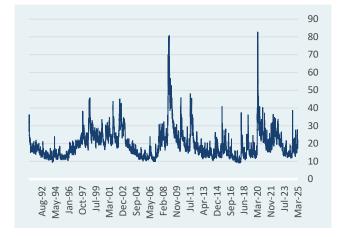
### Market volatility

Market-priced volatility (Cboe VIX Index) jumped to nearly 30% in early March as tariff announcements, trade negotiations, and fears of general economic weakness spooked markets, leading to a broad selloff of U.S. assets. The VIX index suggests the ultra-low volatility environment of 2023 and early 2024 ended in August of 2024 with a historically large volatility spike that occurred that month. Ongoing recession fears and trade disruptions could very likely contribute to greater-than-normal market price fluctuations in the near- and medium-term.

Implied bond market volatility showed an extreme jump in

late March and the first week of April. Competing theories exist as to the cause, with some market participants attributing the move to fluctuations in foreign demand for U.S. dollars due to radical shifts in the trade policy of the Trump administration. Other investors believe these moves have been more driven by hedge fund trading and an unwinding of 'basis trades'—a levered trading strategy that tries to take advantage of differences between current Treasury price and the price reflected in futures contracts. Due to the highly levered nature of this strategy, market volatility spikes can lead to trade losses and unwinding of large positions which can move markets. The true cause of these moves remains unclear.

### U.S. IMPLIED VOLATILITY (VIX)



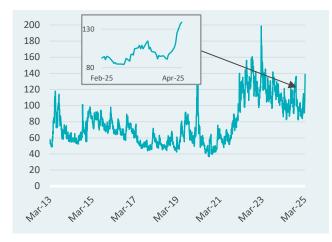
Source: Choe, as of 3/31/25

### **REALIZED VOLATILITY**



Source: Standard & Poor's, MSCI, Verus, as of 3/31/25

U.S. TREASURY IMPLIED VOL ("MOVE" INDEX)



Source: BofA, as of 4/8/25



### Long-term equity performance



Source: Standard & Poor's, FTSE, MSCI, Verus, as of 3/31/25



# Other assets



### Currency

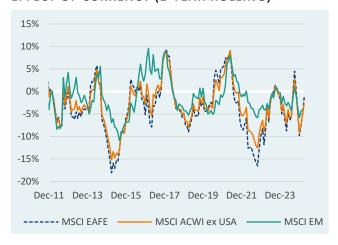
The U.S. dollar fell during Q1 on tariff and trade fears, as well as signs of a weakening economy. This boosted the returns of U.S. investors with unhedged foreign currency exposure. The U.S. Dollar Index was down - 8.5%. Dollar movement is particularly difficult to predict—a slowdown in U.S. economic growth throughout the remainder of the year should have a dampening effect on dollar value, but a global market selloff tends to result in a flight to quality (higher U.S. dollar). A big hike in tariffs imposed by the U.S. should generally push the dollar up as trading partners work to buy dollars, but if this causes a negative shock to the economy and leads to rate cuts from the Federal Reserve then that would be negative for the dollar. The overall net effect of these opposing forces is very complex.

Those without a currency hedging program gained +3.5% from currency moves across international equities (MSCI EAFE) during Q1, but lost -1.9%

over the past year. Currency gains were large across the Euro and British pound, while the Japanese yen moved in the opposite direction.

A more thoughtful portfolio approach to currency exposure has provided lower portfolio volatility and higher returns—a rare proposition. This approach involves reducing the uncompensated risk of unhedged foreign currency exposure, and instead of unhedged exposure, making a passive investment in the currency market by investing in currencies with higher interest rates, undervalued currencies, and currencies showing positive price momentum. This approach, represented by the MSCI Currency Factor Mix Index, has offered a positive one-year rolling return over most periods with far lower volatility than an unhedged approach. The past year of intense currency volatility is testament to this approach.

### **EFFECT OF CURRENCY (1-YEAR ROLLING)**



Source: MSCI, Verus, as of 3/31/25

### **U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: FRED, Verus, as of 3/31/25

### EMBEDDED CURRENCY VS CURRENCY FACTORS



Source: MSCI, Verus, as of 3/31/25 "Embedded Currency Exposure" is the currency return impact from not hedging currency risk



# Appendix

### Periodic table of returns

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	5-Yea	10-Year
Large Cap Growth	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	33.4	8.9	20.1	15.1
Large Cap Equity	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	24.5	6.9	18.5	12.2
Large Cap Value	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	18.7	15.2	2.9	16.1	8.8
Small Cap Growth	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	18.2	14.4	2.8	15.3	6.3
Emerging Markets Equity	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	16.9	11.5	2.1	14.5	6.1
Small Cap Equity	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	15.4	9.9	1.0	13.3	6.1
60/40 Global Portfolio	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	14.6	9.5	0.9	11.8	5.7
Small Cap Value	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	11.5	8.1	0.7	10.8	5.4
International Equity	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	9.8	7.5	0.3	8.5	5.3
Hedge Funds of Funds	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	6.3	5.4	-4.5	7.9	3.7
Cash	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	5.5	5.3	-7.7	7.5	3.7
Commodities	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	5.0	3.8	-9.5	3.0	2.8
US Bonds	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-7.9	1.3	-10.0	2.5	1.8
Real Estate	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-7.9	0.4	-11.1	-0.4	1.5
	Lar	ge Cap	o Equit	у				Small (	Cap Gro	owth			Commodities										
	Lar	ge Cap	o Value					Interna	ationa	l Equity	/			Rea	l Estat	e							
	Lar	ge Cap	Grow	th				Emergi	ing Ma	rkets E	quity			Hed	dge Fur	nds of F	unds						
	Sm	all Cap	Equit	y		US Bonds							60% MSCI ACWI/40% Bloomberg Global Bond										
	Sm	Small Cap Value Cash																					

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg U.S. Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 12/31/24.

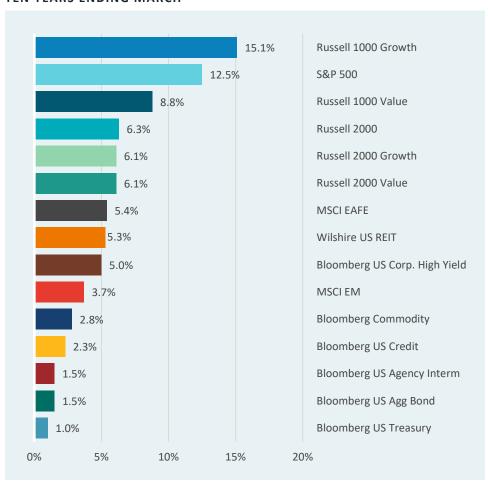


### Major asset class returns

### ONE YEAR ENDING MARCH



### TEN YEARS ENDING MARCH



\*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

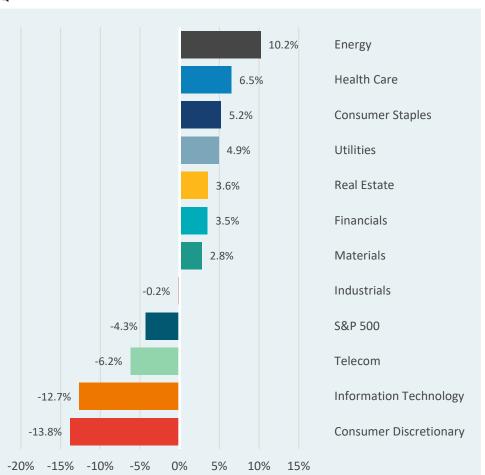
Source: Morningstar, as of 3/31/25

Source: Morningstar, as of 3/31/25

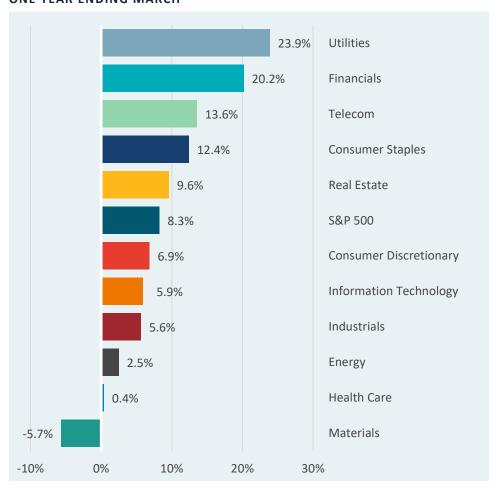


### S&P 500 sector returns

### QTD



### ONE YEAR ENDING MARCH



Source: Morningstar, as of 3/31/25

Source: Morningstar, as of 3/31/25



# Private equity vs. traditional assets performance

### **DIRECT PRIVATE EQUITY FUND INVESTMENTS**



Direct P.E Fund Investments outperformed public equites over the longterm, but have recently underperformed

### "PASSIVE" STRATEGIES



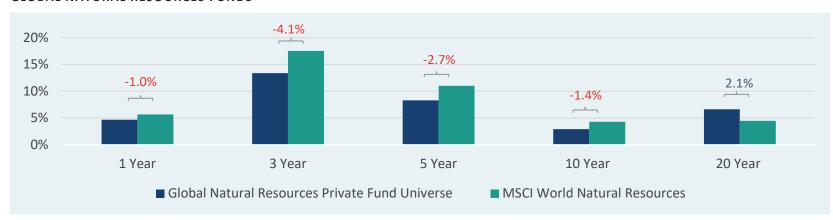
"Passive" strategies have outperformed public markets over the longterm

Sources: FTSE PME: U.S. Direct Private Equity returns are as of September 30, 2024, whereas "Passive" strategies as of June 30, 2024. Public Market Equivalent returns resulted from "Total Passive" and Total Direct's identical cash flows invested into and distributed from respective traditional asset comparable.



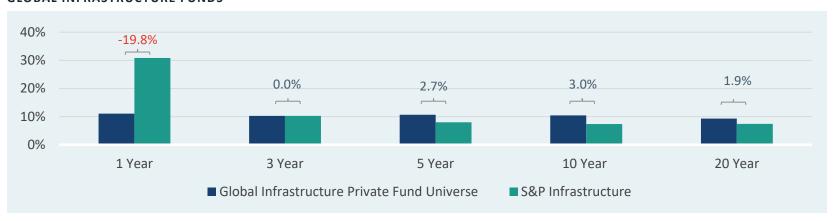
### Private vs. liquid real assets performance

### **GLOBAL NATURAL RESOURCES FUNDS**



N.R. funds underperformed the MSCI World Natural Resources benchmark across most periods

### GLOBAL INFRASTRUCTURE FUNDS



Infra. funds outperformed the S&P Infra. over the longterm

Sources: FTSE PME: Global Natural Resources (vintage 1999 and later, inception of MSCI World Natural Resources benchmark) and Global Infrastructure (vintage 2002 and later, inception of S&P Infrastructure benchmark) universes as of September 30, 2024. Public Market Equivalent returns resulted from identical cash flows invested into and distributed from respective liquid real assets universes.



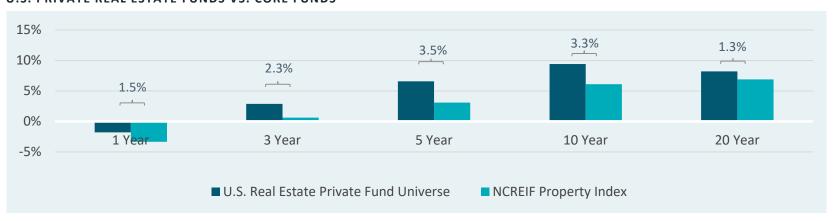
## Private vs. liquid and core real estate performance

### U.S. PRIVATE REAL ESTATE FUNDS VS. LIQUID UNIVERSE



U.S. Private
R.E. funds
underperformed
the Wilshire
U.S. REIT Index
across most time
periods.

### U.S. PRIVATE REAL ESTATE FUNDS VS. CORE FUNDS



U.S. Private R.E. Funds outperformed the NCREIF Property Index across all time periods.

Sources: FTSE PME: U.S. Real Estate universes as of September 30, 2024. Public Market Equivalent returns resulted from identical cash flows invested into and distributed from respective liquid real estate universes.



### Detailed index returns

DOMESTIC EQUITY								FIXED INCOME							
	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year		Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index								Broad Index							
S&P 500	(5.6)	(4.3)	(4.3)	8.3	9.1	18.6	12.5	Bloomberg US TIPS	0.6	4.2	4.2	6.2	0.1	2.4	2.5
S&P 500 Equal Weighted	(3.4)	(0.6)	(0.6)	4.1	5.2	17.7	10.0	Bloomberg US Treasury Bills	0.3	1.0	1.0	5.1	4.3	2.6	1.9
DJ Industrial Average	(4.1)	(0.9)	(0.9)	7.4	8.8	16.2	11.4	Bloomberg US Agg Bond	0.0	2.8	2.8	4.9	0.5	(0.4)	1.5
Russell Top 200	(6.1)	(4.8)	(4.8)	9.5	10.0	19.2	13.4	Bloomberg US Universal	(0.0)	2.7	2.7	5.2	1.0	0.3	1.8
Russell 1000	(5.8)	(4.5)	(4.5)	7.8	8.7	18.5	12.2	Duration							
Russell 2000	(6.8)	(9.5)	(9.5)	(4.0)	0.5	13.3	6.3	Bloomberg US Treasury 1-3 Yr	0.5	1.6	1.6	5.4	2.8	1.1	1.5
Russell 3000	(5.8)	(4.7)	(4.7)	7.2	8.2	18.2	11.8	Bloomberg US Treasury Long	(0.9)	4.7	4.7	1.3	(7.2)	(7.9)	(0.6)
Russell Mid Cap	(4.6)	(3.4)	(3.4)	2.6	4.6	16.3	8.8	Bloomberg US Treasury	0.2	2.9	2.9	4.5	(0.0)	(1.7)	1.0
Style Index								Issuer							
Russell 1000 Growth	(8.4)	(10.0)	(10.0)	7.8	10.1	20.1	15.1	Bloomberg US MBS	(0.0)	3.1	3.1	5.4	0.6	(0.7)	1.1
Russell 1000 Value	(2.8)	2.1	2.1	7.2	6.6	16.1	8.8	Bloomberg US Corp. High Yield	(1.0)	1.0	1.0	7.7	5.0	7.3	5.0
Russell 2000 Growth	(7.6)	(11.1)	(11.1)	(4.9)	0.8	10.8	6.1	Bloomberg US Agency Interm	0.4	2.0	2.0	5.4	2.5	0.7	1.5
Russell 2000 Value	(6.0)	(7.7)	(7.7)	(3.1)	0.0	15.3	6.1	Bloomberg US Credit	(0.2)	2.4	2.4	4.9	1.1	1.3	2.3
INTERNATIONAL EQUITY								OTHER							
Broad Index								Index							
MSCI ACWI	(4.0)	(1.3)	(1.3)	7.2	6.9	15.2	8.8	Bloomberg Commodity	3.9	8.9	8.9	12.3	(8.0)	14.5	2.8
MSCI ACWI ex US	(0.2)	5.2	5.2	6.1	4.5	10.9	5.0	Wilshire US REIT	(3.6)	1.0	1.0	10.2	(8.0)	11.2	5.3
MSCI EAFE	(0.4)	6.9	6.9	4.9	6.1	11.8	5.4	S&P UBS Leveraged Loan	(0.3)	0.6	0.6	7.0	7.1	8.9	5.0
MSCI EM	0.6	2.9	2.9	8.1	1.4	7.9	3.7	S&P Global Infrastructure	2.1	4.6	4.6	18.8	6.1	13.8	6.5
MSCI EAFE Small Cap	0.5	3.7	3.7	3.1	0.9	9.9	5.3	Alerian MLP	(0.1)	12.2	12.2	23.9	24.7	39.7	5.0
Style Index								Regional Index							
MSCI EAFE Growth	(3.2)	2.1	2.1	(2.6)	2.4	8.5	5.5	JPM EMBI Global Div	(8.0)	2.2	2.2	6.8	3.4	3.5	3.2
MSCI EAFE Value	2.3	11.6	11.6	12.8	9.7	14.8	5.1	JPM GBI-EM Global Div	1.5	4.3	4.3	4.0	2.7	2.3	1.3
Regional Index								Hedge Funds							
MSCI UK	0.7	9.7	9.7	14.4	7.9	13.8	4.9	HFRI Composite	(1.1)	0.8	0.8	5.1	4.7	9.6	5.0
MSCI Japan	0.1	0.3	0.3	(2.1)	5.3	8.8	5.3	HFRI FOF Composite	(1.0)	0.7	0.7	6.1	4.5	7.5	3.7
MSCI Euro	0.1	11.9	11.9	5.4	10.1	14.7	5.9	Currency (Spot)							
MSCI EM Asia	(0.1)	1.3	1.3	9.8	1.9	7.5	4.4	Euro	3.9	4.3	4.3	1.2	(1.0)	(0.3)	0.1
MSCI EM Latin American	4.8	12.7	12.7	(13.6)	(2.0)	11.8	2.6	Pound Sterling	2.5	3.1	3.1	2.2	(0.7)	0.8	(1.4)
								Yen	0.8	5.1	5.1	0.0	(6.7)	(6.3)	(2.2)

Source: Morningstar, HFRI, as of 3/31/25



### **Definitions**

Bloomberg US Weekly Consumer Comfort Index - tracks the public's economic attitudes each week, providing a high-frequency read on consumer sentiment. The index, based on cell and landline telephone interviews with a random, representative national sample of U.S. adults, tracks Americans' ratings of the national economy, their personal finances and the buying climate on a weekly basis, with views of the economy's direction measured separately each month. (www.langerresearch.com)

**University of Michigan Consumer Sentiment Index** - A survey of consumer attitudes concerning both the present situation as well as expectations regarding economic conducted by the University of Michigan. For the preliminary release approximately three hundred consumers are surveyed while five hundred are interviewed for the final figure. The level of consumer sentiment is related to the strength of consumer spending. (www.Bloombera.com)

NFIB Small Business Outlook - Small Business Economic Trends (SBET) is a monthly assessment of the U.S. small-business economy and its near-term prospects. Its data are collected through mail surveys to random samples of the National Federal of Independent Business (NFIB) membership. The survey contains three broad question types: recent performance, near-term forecasts, and demographics. The topics addressed include: outlook, sales, earnings, employment, employee compensation, investment, inventories, credit conditions, and single most important problem. (<a href="http://www.nfib-sbet.org/about/">http://www.nfib-sbet.org/about/</a>)

NAHB Housing Market Index – the housing market index is a weighted average of separate diffusion induces for three key single-family indices: market conditions for the sale of new homes at the present time, market conditions for the sale of new homes in the next six months, and the traffic of prospective buyers of new homes. The first two series are rated on a scale of Good, Fair, and Poor and the last is rated on a scale of High/Very High, Average, and Low/Very Low. A diffusion index is calculated for each series by applying the formula "(Good-Poor + 100)/2" to the present and future sales series and "(High/Very High-Low/Very Low + 100)/2" to the traffic series. Each resulting index is then seasonally adjusted and weighted to produce the HMI. Based on this calculation, the HMI can range between 0 and 100.

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