

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

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JUNE 2025 Capital Markets Update

Market commentary

U.S. ECONOMICS

- Headline and Core CPI both rose to +0.1% in May, below expectations of +0.2%. This brought year-over-year headline inflation to 2.4% and core inflation to 2.8%, both in line with expectations. The increase in tariff revenues in May, coupled with so far minimal impact on consumer prices suggests that some businesses may be temporarily absorbing the added costs. The full impact of tariffs will likely be observable later in the year.
- June nonfarm payrolls totaled 147,000, surpassing expectations of 106,000 job additions. Government employment accounted for the majority of job growth, with 73,000 positions added, due to hiring in education at state and local levels. The unemployment rate declined from 4.2% to 4.1%, below expectations of 4.3%.
- The ISM Services Index came in at 50.8, a modest return to expansionary territory after May's contraction. Service sector companies experienced a revival in demand, as both the Business Activity and New Orders indexes rose by +4.2 to 54.2 and +4.9 to 51.3, respectively. Despite the uptick, the sustained elevation of the Price Index at 67.5 highlights ongoing cost pressures that could constrain further growth.

U.S. EQUITIES

- The S&P 500 ended June up +5.1%, posting two new closing highs during the month. This was a continuation of the May rally and brought year-to-date returns to +6.2%. Investors will be watching trade-related news closely, as Trump has set a new deadline of August 1st for countries to strike a deal before his sweeping tariffs are enacted. U.S. trade negotiations with global leaders continued in June.
- Relatively strong economic data and improved investor sentiment likely helped fuel small-cap performance in June (Russell 2000 +5.4%), leading to slight outperformance vs. large-cap (Russell 1000 +5.1%) for the first time this year. Large-cap value (Russell 1000 Value +3.4%) was the worst performing of the domestic size and style sectors in June.

U.S. FIXED INCOME

- At the June FOMC meeting, the Federal Reserve voted to keep interest rates unchanged at 4.25%-4.50%, as expected. The updated Summary of Economic Projections reflected a 2025 median rate forecast of 3.9%, implying 1 or 2 rate cuts could still be on the table for the year. However, the Fed maintained its wait-and-see approach, continuing to monitor how tariffs and global tensions end up affecting the economy.
- In June, both the 2-year and 10-year U.S. Treasury yields fells by -17bps, to 3.7% and 4.2%, respectively, as investors weighed market risks and awaited the Senate vote on the Trump Administration's One Big Beautiful Bill. While easing inflation and steady job growth pointed to stability, consumer confidence in expectations for the future remains subdued. Long U.S. Treasuries were the top performer among the fixed income complex, up +2.5%.

INTERNATIONAL MARKETS

- The European Central Bank (ECB) voted to cut interest rates an additional -25bps to 2.00% in June. The move followed the release of softer inflation data, with May's Eurozone headline CPI down -0.3% month-over-month, easing to 1.9% year-over-year, below the ECB's 2% target.
- In June, the World Bank lowered its 2025 global growth forecast by -40bps to 2.3% as outlined in its Global Economic Prospects report. The downgrade was in part a result of elevated tariffs and heightened geopolitical uncertainty, which was described as a significant headwind to economic forecasts of nearly all countries.
- The U.S. and China have reportedly finalized a bilateral trade deal reaffirming the framework made in Geneva back in May. As part of the arrangement, China will resume rare earth metal exports to the U.S. in exchange for a rollback of some reciprocal tariffs implemented in April. However, the timeline and enforcement of these commitments remains uncertain.

Major asset class returns

ONE YEAR ENDING JUNE



*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 6/30/25 Source: Morningstar, as of 6/30/25

Source: Morningstar, as of 6/30/25

TEN YEARS ENDING JUNE



U.S. large cap equities

- The S&P 500 posted a strong gain of +5.1% during June, continuing to rally after a volatile start to the year. Mega cap technology stocks further drove performance, contributing nearly half of the index total return. Excluding the Mag 7, the S&P 500 would have returned +2.7% for the month. The index reached new closing highs, likely supported by easing inflation data and a temporary de-escalation of geopolitical tensions.
- Volatility moderated during the month, with the VIX closing at 16.7, down from 18.6 in May. Investors remained focused on upcoming earnings reports and potential policy shifts as the market enters Q3.
- Given concerns over inflation and tariffs, analysts lowered EPS estimates more than normal for S&P 500 companies during the quarter. From March 31 to June 30, the Q2 bottom-up EPS estimates decreased by -4.2%. Over the past 5 years, the average decline in bottom-up EPS during the quarter has been -3.0%. The Energy and Materials sectors saw the largest decrease in their estimates, dropping by -17.8% and -12.0%, respectively.
- June was broadly positive, with 10 of 11 sectors ending in the green. Information Technology (+9.8%) and Communication Services (+7.3%) were the leaders, while Consumer Staples (-1.9%) was the top detractor.

S&P 500 PRICE INDEX



50 45 40 35 30 25 20 15 10 5 0 Jun-23 lun-24 Dec-24 Dec-23 lun-25

Source: Cboe, based on closing price, as of 6/30/25

IMPLIED VOLATILITY (VIX INDEX)

S&P 500 VALUATION SNAPSHOT

Source: S&P, as of 6/30/25



Source: S&P, as of 6/30/25



Domestic equity size & style

- U.S. equities delivered broad-based gains in June, with large-cap growth stocks continuing to lead the market. The Russell 1000 Growth Index returned +6.4% for the month and +6.1% year-to-date, outperforming the Russell 1000 Value Index, which returned +3.4% in June and +6.0% year-to-date.
- Small-cap (Russell 2000 +5.4%) outperformed large-cap (Russell 1000 +5.1%) for the first time this year during June. This was likely driven by easing economic data, as small-cap stocks are typically more sensitive to macroeconomic shifts and interest rate expectations.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Forward earnings multiples continue to show a significant valuation premium for growth equities across large and small cap. The Russell 1000 Growth is trading at a forward P/E of 28.7x, well above the 20-year average of 19.5x, and the Russell 2000 Growth is trading at a forward P/E of 38.7x compared to its 20-year average of 31.3x.

 Large-cap value was the worst performing sector for the second straight month, posting a gain of +3.4%. Energy, one of the major value sectors, faced headwinds from declining oil prices amid ongoing uncertainty around Israel and Iran.

35% 25% 15% 5% -5% -15% -25% Jun-13 Jun-15 Jun-17 Jun-19 Jun-21 Jun-23 Jun-25 — Russell 2000 minus Russell 1000

SMALL VS. LARGE 1-YR ROLLING RELATIVE

1-YEAR SIZE & STYLE PERFORMANCE



Source: FTSE Russell, as of 6/30/25

Source: FTSE Russell, as of 6/30/25

PERFORMANCE

Source: FTSE Russell, as of 6/30/25

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Fixed income

- High yield bonds (Bloomberg U.S. Corporate High Yield +1.8%) were broadly in line with issuers. Spreads continued to tighten, down -25bps to 290bps, in addition to yields falling -4bps to 4.1%.
- At the June FOMC meeting, the Federal Reserve voted as expected to hold rates steady at 4.25%-4.50%. In the Fed's Summary of Economic Projections, real GDP growth forecasts were lowered -30bps to 1.4% for the remainder of 2025 and -20bps to 1.6% in 2026. The move underscores the Fed's cautious views of the U.S. economy in light of unforeseen tariff effects and global tensions.
- U.S. core fixed income rebounded in June (Bloomberg U.S. Aggregate Index +1.5%), while both the 2-year and 10-year Treasury yields fell -17bps to 3.7% and 4.2%, respectively. The move came ahead of the Senate vote on the One Big Beautiful Bill Act, which is projected to increase the U.S. federal deficit by \$4.1 to \$5.5 trillion over the next decade. The legislation is expected to lead to higher bond issuance in intermediate and long-term maturities. Some investors raised concerns over U.S. fiscal stability and the potential for higher risk premiums on Treasury securities over time if these fears grow.

U.S. TREASURY YIELD CURVE



NOMINAL YIELDS



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



Source: U.S. Treasury, as of 6/30/25

Source: Morningstar, as of 6/30/25

Source: BofA, as of 6/30/25



Global markets

- Non-U.S. equities (MSCI ACWI ex U.S. +3.4%) underperformed the S&P 500 by -1.7%. U.S. equities continued their previous rally in May following strong labor data and a softer inflation print. Global equities were positive across regions, with a top performance from EM Asia (+6.3%) and EM Latin America (+6.1%).
- On June 5, the European Central Bank (ECB) voted to cut interest rates by an additional -25bps to 2.0%, marking its eighth cut since June 2024. The move came in response to softening inflation, with Eurozone headline CPI falling -0.3% month-over-month, easing year-over-year to 1.9%—slightly below the ECB's 2% target.
- In June, the World Bank joined several other institutions in its decision to lower the 2025 global growth forecast by -40bps to 2.3%. The Global Economic Prospects report cited elevated trade barriers and persistent geopolitical uncertainty as constraints to economic expansion.
- The U.S. and China have reportedly finalized a bilateral deal reaffirming the framework set under the Geneva Agreement from May. As part of the agreement, China will resume rare earth exports to the U.S. in exchange for a phased rollback of select reciprocal tariffs imposed on Chinese goods. The MSCI China index ended the month +3.8%.

GLOBAL SOVEREIGN 10-YEAR YIELDS



U.S. DOLLAR MAJOR CURRENCY INDEX



MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 6/30/25

Source: Federal Reserve, as of 6/30/25

Source: MSCI, as of 6/30/25 – price metrics are trailing



U.S. economic review

Data Print	Period	Prior	Estimate	Actual
Change in Nonfarm Payrolls	Jun	144,000	106,000	147,000
Unemployment Rate	Jun	4.2%	4.3%	4.1%
CPI MoM	May	0.2%	0.2%	0.1%
CPI YoY	May	2.3%	2.4%	2.4%
CPI Ex Food and Energy MoM	May	0.2%	0.3%	0.1%
ISM Manufacturing	Jun	49	49	49
ISM Services Index	Jun	50	51	51
Conf. Board Consumer Confidence	Jun	98	100	93
S&P Global US Manufacturing PMI	Jun	52	52	53
S&P Global US Composite PMI	Jun	53	53	53
S&P Global US Services PMI	Jun	53	53	53
U. of Mich. Sentiment	Jun	52	61	61

LABOR MARKET METRICS



Source: FRED, as of 6/30/25

Labor Market

 Nonfarm payrolls came in at 147,000 jobs, beating expectations by 41,000. Total government employment grew by 73,000 jobs, with state and local gains offsetting continued losses at the federal level. April and May reports were revised higher by a combined 16,000 jobs.

Consumers

- University of Michigan Consumer Sentiment came in at 61, up from 52 in May, marking the first increase in six months. Improvements were broad-based with improved expectations for both personal finances and business conditions. Despite the uptick, consumers remain cautious, anticipating persistent inflation and a potential economic slowdown.
- Conference Board Consumer Confidence came in at 93, down from 98 in May. The deterioration was widespread with both the Present Situation and Expectations indexes registering declines. Consumers expressed increased pessimism regarding business conditions, job availability, and future income expectations.

Looking Ahead

The Federal Reserve continues to demonstrate a *wait-and-see* approach to its stance on interest rate policy, given the unforeseen impacts of global tariff policy on economic data prints. The Federal Reserve will have to continue to balance the conflicting *soft* consumer data with *relatively strong* hard economic data when determining the interest rate path for 2025.







Periodic table of returns

BEST		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	5-Year	10-Year
↑	International Equity	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	19.4	18.1	17.0
	Emerging Markets 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	15.3	16.3	13.4
	60/40 Global Portfolio	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	9.0	13.9	9.2
	Large Cap Equity	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	6.1	12.7	7.1
	Large Cap Growth	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	6.1	12.5	7.1
	Large Cap Value	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	6.0	11.2	6.7
	Commodities	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	5.5	10.0	6.5
	US Bonds	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	4.0	7.4	6.1
	Hedge Funds of Funds	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	3.0	7.4	5.4
	Real Estate	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	2.2	6.8	4.8
	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	2.1	6.2	3.8
	Small Cap Growth	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	-0.5	3.3	2.0
	Small Cap Equity	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	-1.8	2.7	1.9
↓	Small Cap Value	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	-3.2	-0.7	1.8
WORST			Large (Cap Eq	uity				Sma	all Cap	Growt	h				Commo	odities							
			Large (Cap Va	lue				Inte	ernatio	nal Eq	uity				Real Es	tate							
		Large Cap Growth Eme					erging Markets Equity Hedge Funds of Funds																	
			Small (Cap Eq	uity				USE	Bonds						60% M	SCI ACV	VI/40%	Bloom	berg G	lobal Bo	ond		
			Small (Cap Va	lue				Cas	h														

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 US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 3/31/25.



S&P 500 sector returns

QTD



ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/25

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Source: Morningstar, as of 6/30/25

Detailed index returns

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DOMESTIC EQUITY

FIXED INCOME

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	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	5.1	10.9	6.2	15.2	19.7	16.6	13.6
S&P 500 Equal Weighted	3.4	5.5	4.8	12.7	12.8	14.4	10.7
DJ Industrial Average	4.5	5.5	4.5	14.7	15.0	13.5	12.1
Russell Top 200	5.4	11.8	6.5	15.8	21.3	17.3	14.6
Russell 1000	5.1	11.1	6.1	15.7	19.6	16.3	13.4
Russell 2000	5.4	8.5	(1.8)	7.7	10.0	10.0	7.1
Russell 3000	5.1	11.0	5.8	15.3	19.1	16.0	13.0
Russell Mid Cap	3.7	8.5	4.8	15.2	14.3	13.1	9.9
Style Index							
Russell 1000 Growth	6.4	17.8	6.1	17.2	25.8	18.1	17.0
Russell 1000 Value	3.4	3.8	6.0	13.7	12.8	13.9	9.2
Russell 2000 Growth	5.9	12.0	(0.5)	9.7	12.4	7.4	7.1
Russell 2000 Value	4.9	5.0	(3.2)	5.5	7.5	12.5	6.7

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	4.5	11.5	10.0	16.2	17.3	13.7	10.0
MSCI ACWI ex US	3.4	12.0	17.9	17.7	14.0	10.1	6.1
MSCI EAFE	2.2	11.8	19.4	17.7	16.0	11.2	6.5
MSCI EM	6.0	12.0	15.3	15.3	9.7	6.8	4.8
MSCI EAFE Small Cap	4.3	16.6	20.9	22.5	13.3	9.3	6.5
Style Index							
MSCI EAFE Growth	2.7	13.5	16.0	11.4	13.6	7.9	6.7
MSCI EAFE Value	1.7	10.1	22.8	24.2	18.4	14.3	6.1
Regional Index							
MSCI UK	1.4	8.7	19.3	20.0	15.2	14.0	5.4
MSCI Japan	1.7	11.4	11.7	13.9	15.0	8.8	6.1
MSCI Euro	2.5	12.7	26.1	22.2	21.3	13.4	7.3
MSCI EM Asia	6.3	12.4	13.9	14.9	9.4	6.5	5.7
MSCI EM Latin American	6.1	15.2	29.9	13.4	11.6	11.1	3.7

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	1.0	0.5	4.7	5.8	2.3	1.6	2.7
Bloomberg US Treasury Bills	0.3	1.1	2.1	4.8	4.6	2.8	2.0
Bloomberg US Agg Bond	1.5	1.2	4.0	6.1	2.5	(0.7)	1.8
Bloomberg US Universal	1.6	1.4	4.1	6.5	3.3	(0.1)	2.1
Duration							
Bloomberg US Treasury 1-3 Yr	0.6	1.2	2.8	5.7	3.4	1.3	1.6
Bloomberg US Treasury Long	2.5	(1.5)	3.1	1.6	(3.7)	(8.2)	0.1
Bloomberg US Treasury	1.3	0.8	3.8	5.3	1.5	(1.6)	1.2
Issuer							
Bloomberg US MBS	1.8	1.1	4.2	6.5	2.3	(0.6)	1.3
Bloomberg US Corp. High Yield	1.8	3.5	4.6	10.3	9.9	6.0	5.4
Bloomberg US Agency Interm	0.8	1.4	3.4	6.0	3.4	0.8	1.6
Bloomberg US Credit	1.8	1.8	4.2	6.8	4.2	0.1	2.8

OTHER Index **Bloomberg Commodity** 2.4 (3.1)5.5 5.8 0.1 12.7 2.0 Wilshire US REIT (0.6)(1.2)(0.2)9.1 5.7 8.7 6.3 S&P UBS Leveraged Loan 1.4 1.0 1.9 6.7 8.4 7.5 5.0 S&P Global Infrastructure 2.0 10.4 15.5 27.7 12.5 13.1 7.7 Alerian MLP 2.6 (4.9)7.1 13.9 26.2 28.1 5.2 **Regional Index** JPM EMBI Global Div 2.4 3.3 5.6 10.0 8.9 1.8 3.5 JPM GBI-EM Global Div 2.8 7.6 12.3 13.8 8.5 1.9 2.1 **Hedge Funds HFRI** Composite 2.4 4.4 3.9 8.0 7.5 8.4 5.3 HFRI FOF Composite 1.8 3.4 3.0 7.3 6.5 6.2 3.8 Currency (Spot) Euro 3.4 8.7 13.4 9.5 3.9 0.9 0.5 Pound Sterling 1.6 6.2 4.1 2.1 (1.4)9.4 8.4 Yen (0.1)3.5 8.8 11.4 (2.0) (5.7) (1.6)

Source: Morningstar, HFRI, as of 6/30/25



Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	5.0	1.5	14.5	12.3
MSCI World Index (PME)	32.3	9.6	13.4	9.8
Global Private Equity Direct Funds ¹	8.0	2.2	14.9	14.0
MSCI World Index (PME)	32.3	10.0	13.4	10.4
U.S. Private Equity Direct Funds ¹	7.8	2.7	16.3	15.1
Russell 3000 Index (PME)	35.0	11.2	15.6	13.0
Europe Private Equity Direct Funds ¹	12.3	3.9	15.0	13.9
MSCI Europe Index (PME)	25.0	7.7	9.6	6.2
Asia Private Equity Direct Funds ^{1,4}	2.9	(1.4)	8.4	10.5
MSCI AC Asia Pacific Index (PME)	31.7	(0.3)	6.7	6.6

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt ^{2,4}	7.9	8.4	11.9	10.5
Moringstar LSTA U.S. Leveraged Loan 100 Index (PME)	9.5	6.6	5.9	5.2
Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(1.8)	2.9	6.6	9.4
FTSE NAREIT Equity REIT Index (PME)	34.5	6.6	6.7	8.8
Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ^{3,4}	4.7	13.4	8.3	3.0
S&P Global Natural Resources Index (PME)	7.1	8.4	10.5	6.0
Global Infrastructure ⁴	11.1	10.3	10.7	10.4
S&P Global Infrastructure Index (PME)	29.6	9.3	7.2	6.5

Source: Pooled IRRs and Public Market Equivalents (PMEs) are both from FTSE (previously Refinitiv) C/A, as of. September 30th, 2024. All returns in U.S. dollars.

1. Includes Buyout, Growth Equity and Venture Capital.

2. Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

3. Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

4. Due to limited history of the PMEs, only the funds with the same vintage years as PMEs are included.

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Notices & disclosures

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