SilverOak

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First Quarter 2025 Market Summary

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First Quarter 2025 Market Summary

After a strong finish to 2024, the first quarter of 2025 experienced increased market volatility as the new administration embarked on significant policy shifts, including tariff restructuring and the Department of Government Efficiency (DOGE) spending cuts. Since the inauguration, markets have weakened, as rising policy uncertainty has raised concerns about a potential slowdown in consumer and corporate capital spending. Consumer sentiment has weakened amid inflation worries and a pessimistic outlook for future economic growth. A silver lining this quarter has been the return of diversification benefits in multi-asset portfolios amid continued uncertainties.

The chart below shows that U.S. large company stocks (i.e., S&P 500 Index) posted a 4.3% loss during the quarter, and U.S. small company stocks (i.e., Russell 2000 Index) declined 9.5%. For the first time in two years, market leadership has shifted away from U.S. large-cap stocks. The 'Magnificent 7' mega-cap technology stocks fell by nearly 15%, underperforming relative to the broader market, and potentially signaling a rotation. Seven of the eleven S&P 500 sectors posted positive returns, led by energy and health care. International stocks, represented by the MSCI ACWI ex US Index, gained 5.2% during the quarter, providing diversification benefits. Countries in Europe and Asia are providing stimulus, while the U.S. is cutting back.

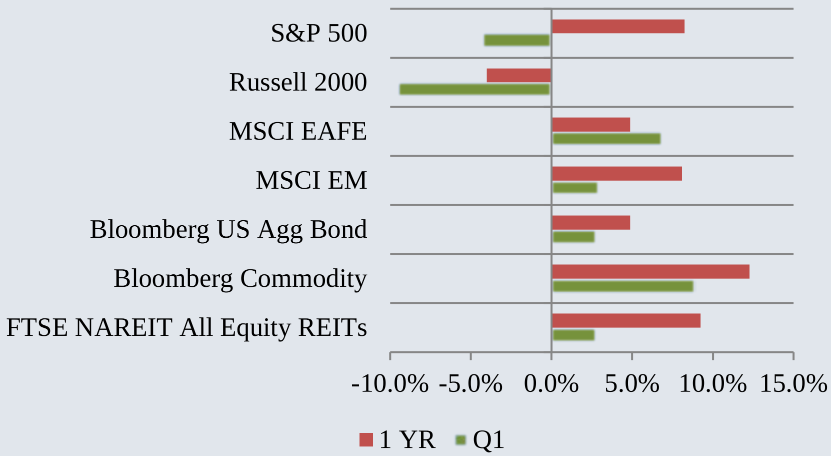
The Bloomberg Barclays U.S. Aggregate Bond Index, representing a broad basket of bonds, had a positive 2.8% return during the quarter, reaffirming fixed income's traditional role as a stabilizer. Meanwhile, the Federal Reserve kept the Fed Funds Rate unchanged, while interest rates across the yield curve declined and the U.S. dollar weakened.

The Trump administration campaigned on a platform that included lower taxes, higher tariffs, reduced regulation, and immigration reform—policies that could have diverse and conflicting effects on economic growth, inflation, and interest rates. Early in this term, however, the focus has been more on reform-oriented initiatives than pro-growth measures, contributing to market uncertainty.

Since the end of the quarter, the Trump administration announced broad global tariffs that exceeded expectations in both scope and scale. Additionally, the unveiling of the unconventional deficit-based trade policy lacked clarity and a well-defined direction. Whether the tariffs are intended as a short-term negotiating tool or represent a long-term revenue strategy remains to be seen.

Higher tariffs can potentially drive-up inflation and interest rates, especially if economic growth remains solid. However, tariffs can also be a drag on consumer spending by raising prices and reducing purchasing power, thereby slowing economic growth. A slowdown in growth could ease inflationary pressures and lead to lower interest rates. This creates a push-and-pull dynamic in the broader macroeconomic landscape, where the ultimate impact of tariffs depends on how these competing forces unfold.

Broad Market Index Returns
First Quarter 2025



Although business and consumer balance sheets remain healthy, the ongoing policy transition has introduced a high degree of uncertainty. This may cause some consumers and corporate leaders to postpone spending. As a result, many economists have revised their economic growth forecasts downward. So far, the weakness has mainly been reflected in "soft data," including business surveys, consumer confidence, and sentiment indicators. These are often considered leading indicators. This situation has raised concerns that "hard data" such as retail sales, capital expenditures, business lending, and employment may begin to show signs of weakness as well.

First Quarter 2025 Market Summary (continued)

Looking ahead, we anticipate the administration to shift its focus toward policies more favorable for market conditions later this year. These may include new tax legislation, regulatory rollbacks, and other pro-growth initiatives aimed at stimulating business investment and consumer activity. As markets continue to digest and respond to these evolving policy developments, maintaining a diversified portfolio and adhering to disciplined risk management strategies is essential. In an environment marked by both opportunity and uncertainty, these principles remain key for investors seeking to navigate shifting economic and political landscapes.

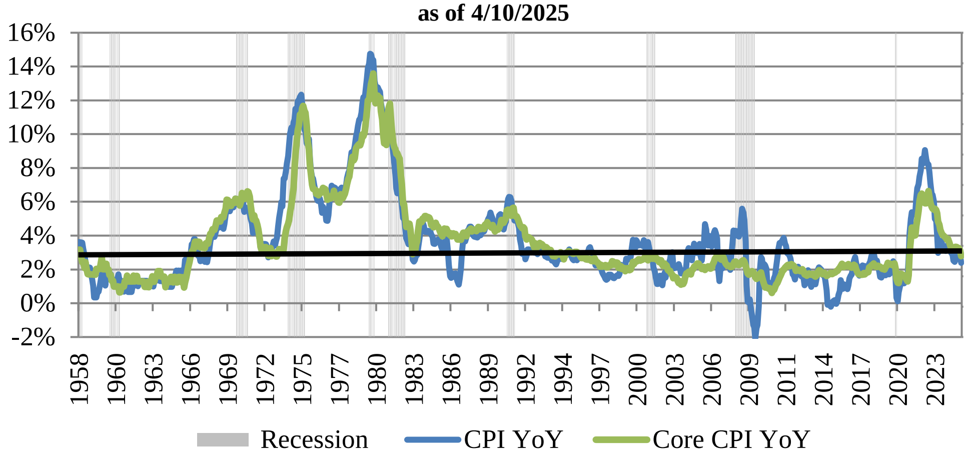
At the same time, proper financial planning is essential for aligning future financial goals with the appropriate assets but also for setting realistic expectations to help mitigate behavioral biases. For short-term needs, such as upcoming expenses or near-term goals, conservative investments—like cash, money market funds, or short-term bonds—are typically more suitable to preserve capital and reduce risk.

Conversely, for long-term goals extending over 5, 10, or even 20 years—such as retirement, education funding, or legacy planning—it is important to maintain perspective and recognize the role equities play in delivering the growth necessary to outpace inflation and generate meaningful returns. While equities may involve more short-term volatility, history shows they have consistently provided superior returns over longer time horizons. Balancing time horizon, risk tolerance, and return objectives is essential in developing a resilient financial plan. When headlines and markets are pessimistic, it may signal a potential opportunity for long-term investors to achieve positive future returns.

MACROECONOMICS

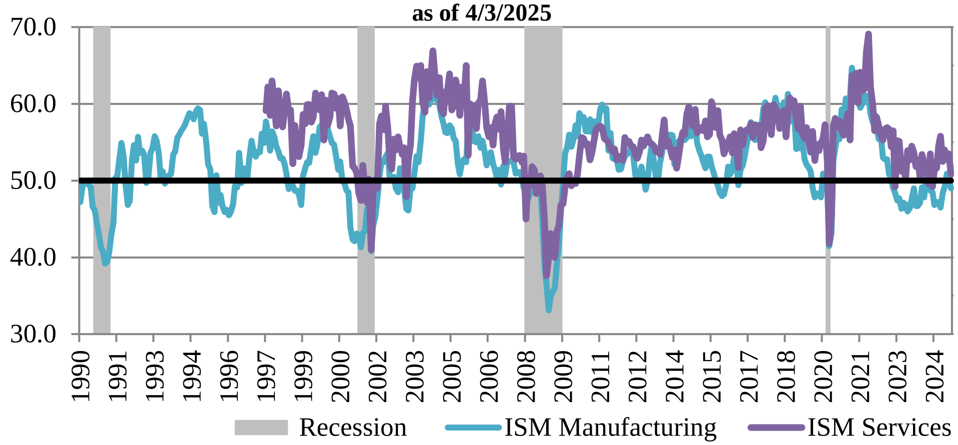
- The Bureau of Economic Analysis released the advanced estimate of first quarter 2025 real GDP, an annual rate decrease of 0.3% from the preceding quarter.
- Inflation continues to grind lower and is now within the Federal Reserve's target range of 2-3%. In March, headline CPI increased 2.4% year-over-year. Core CPI, which excludes food and energy, had a 2.8% increase.

Inflation - Consumer Price Index (CPI)
as of 4/10/2025



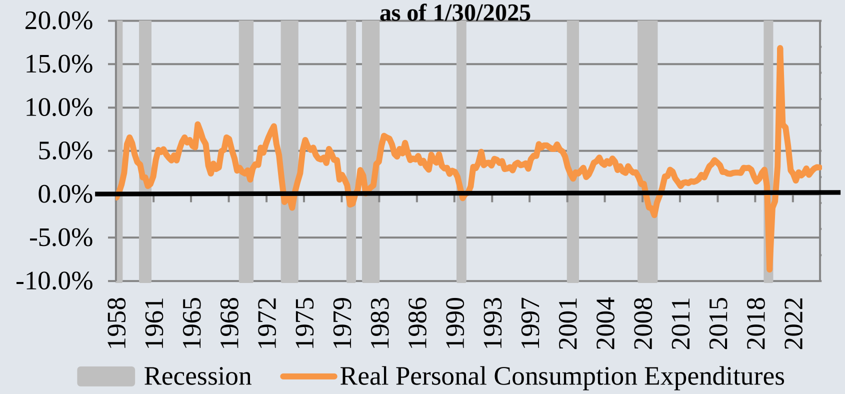
- The ISM Manufacturing Index was roughly flat during the quarter, finishing at 49.0 versus 49.2 in December. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish. The ISM Non-Manufacturing Index was lower during the quarter and finished at 50.8 in March.

ISM PMI Indices
as of 4/3/2025



- In March, the Conference Board Leading Economic Index decreased 0.7% month-over-month to 100.5. The index, which is a composite of leading employment, housing, manufacturing, and market indicators, remains at a contractionary level but the trend is slightly improving.
- The Real Personal Consumption Expenditures grew at 3.1% year-over-year in 1Q, indicating consumers continue to fuel economic growth.

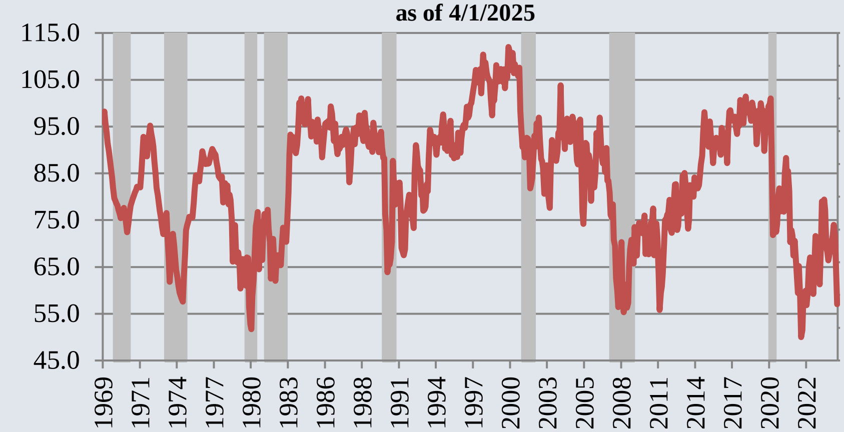
Real Personal Consumption Expenditures
as of 1/30/2025



CONFIDENCE METRICS

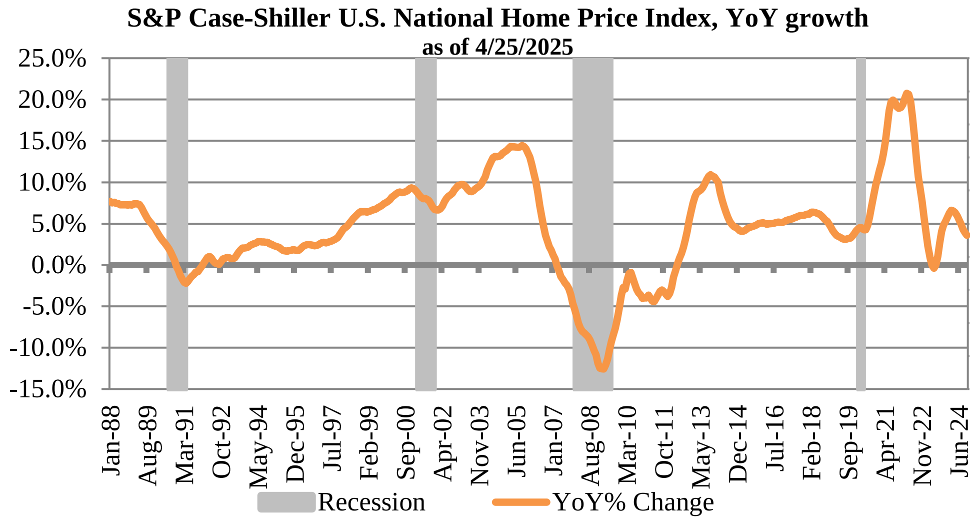
- The Conference Board's Consumer Confidence Index March reading was 92.9, a decrease from 109.5 in December. Consumers remain concerned with the economy and a weakening labor market.
- The University of Michigan Consumer Sentiment Index final reading for March was 57.0, which was a decrease from the fourth quarter.

University of Michigan Consumer Sentiment Index
as of 4/1/2025

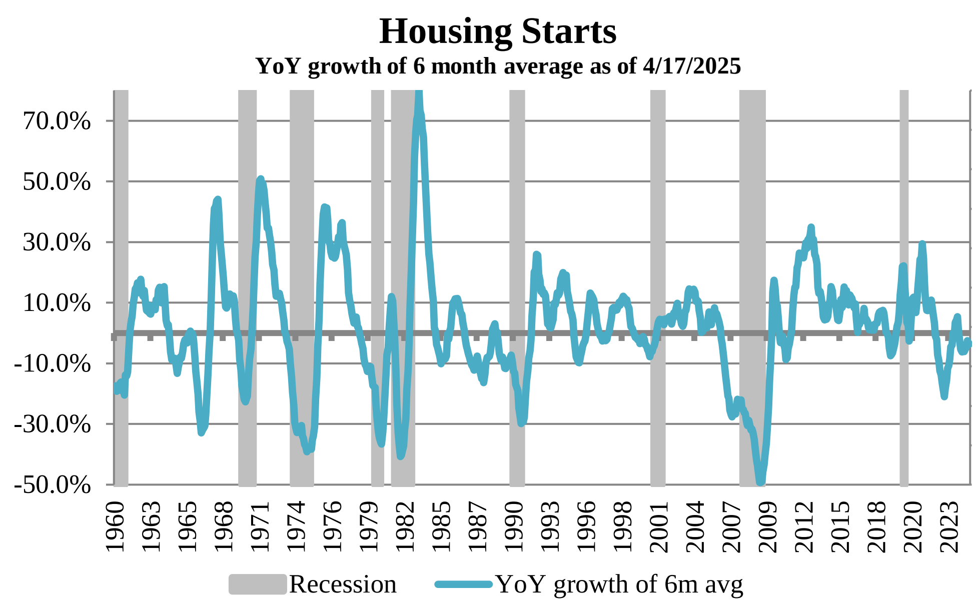


HOUSING

- S&P Case-Shiller U.S. National Home Price Index (seasonally adjusted) showed home prices increased 3.9% year/year in February.

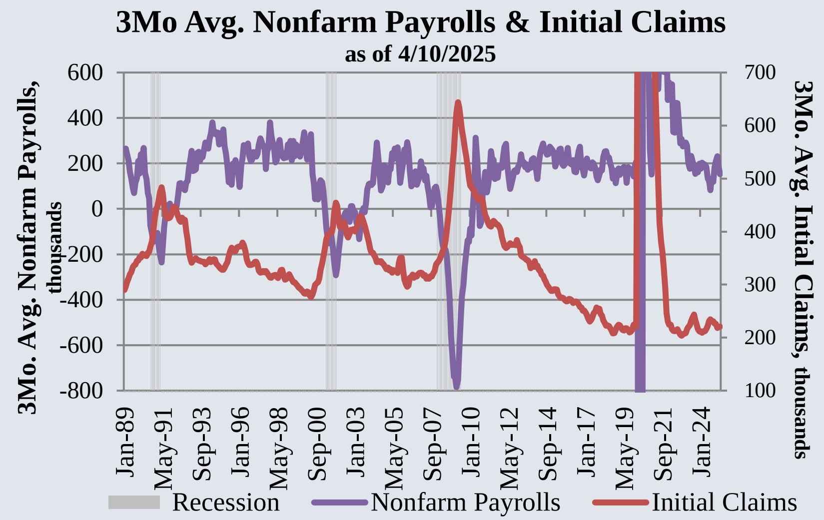


- Housing starts have declined over the past two years, in part, due to higher financing costs. The housing market remains supply challenged.

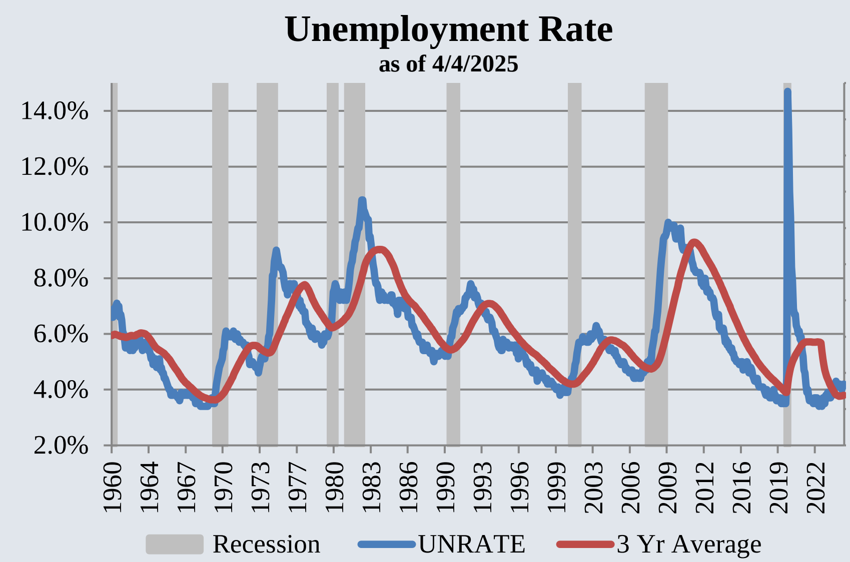


EMPLOYMENT

- During the quarter, nonfarm payrolls remained stable, averaging 152,000 jobs added per month, while initial claims remain low.



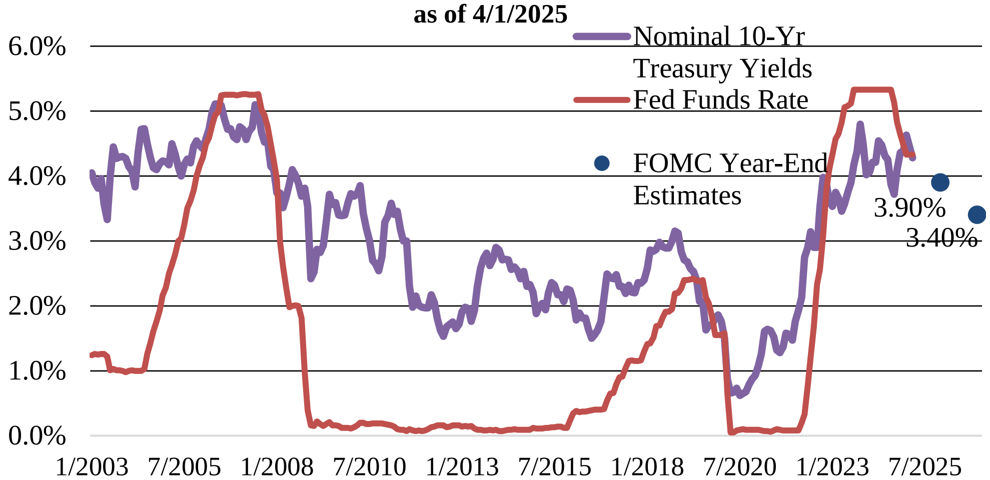
- The unemployment rate rose slightly during the quarter at 4.2% and remains above its three-year average, showing potential weakness.



FED POLICY

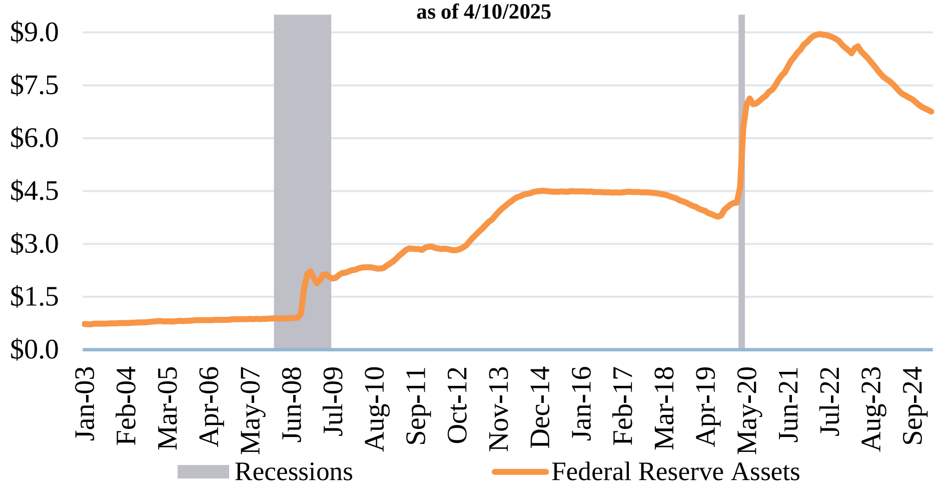
- During the quarter, the Federal Open Market Committee (FOMC) held funds rate at 4.25%-4.50%. The Fed indicated they will slow the pace of easing going forward.

U.S. 10-Year Treasury Yield vs. Fed Funds Rate
as of 4/1/2025



- The Fed continues to reduce its holdings of Treasuries and Agency MBS. In April, the Fed will reduce the pace of its monthly Treasury securities runoff to $5 billion, down from $25 billion in previous months.

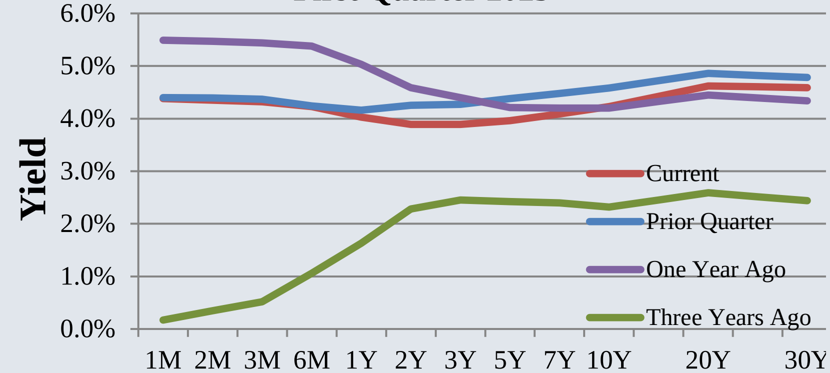
Federal Reserve Balance Sheet, assets in trillions $
as of 4/10/2025



FIXED INCOME

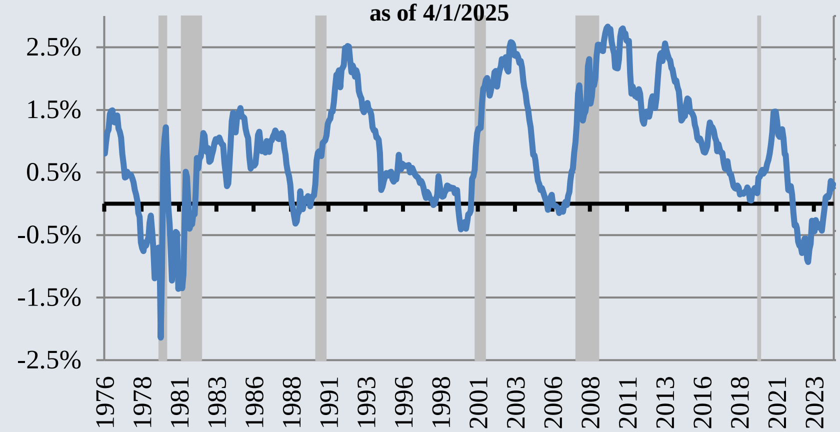
- During the quarter, yields fell across the U.S. Treasury curve, as the bond market became concerned that new tariff policy will impact economic growth. Short-term interest rates are controlled or heavily influenced by central banks, whereas long-term interest rates are affected by market forces and economic growth.

U.S. Treasuries Yield Curve
First Quarter 2025



- The spread between short and intermediate-term Treasuries remained positive. The curve had been inverted for over two years, the longest such occurrence. Historically, an inverted yield curve has signaled a recession. This time, while the overall economy avoided one, certain sectors, such as manufacturing, faced downturns.

U.S. Treasury Spread 10-year vs. 2-year
as of 4/1/2025



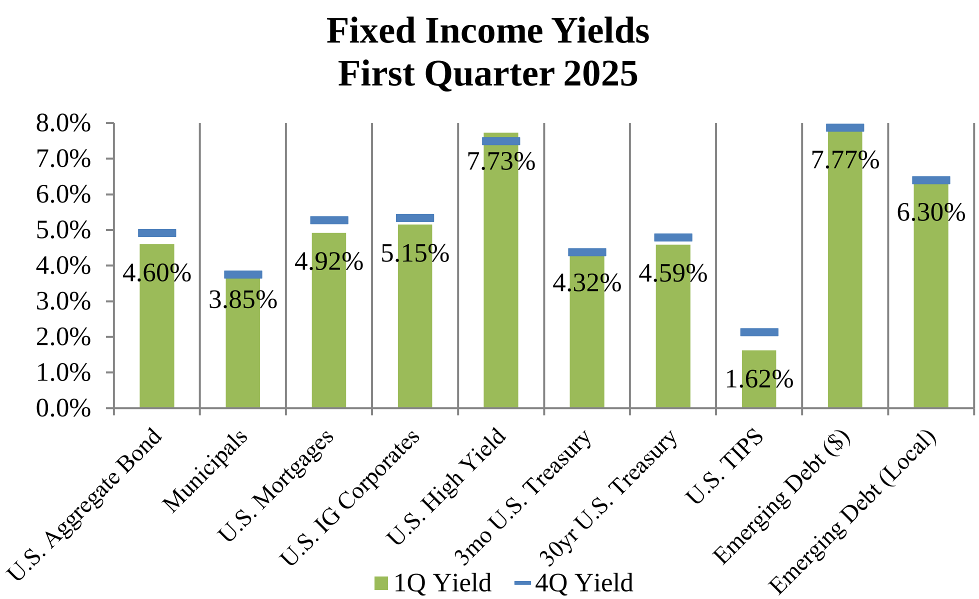
FIXED INCOME (continued)

- During the quarter, the Bloomberg Barclays U.S. Aggregate was up 2.8%. Bonds with more interest rate sensitivity performed better as rates decreased. Meanwhile, corporate spreads widened in March causing corporates and high yield to underperform.

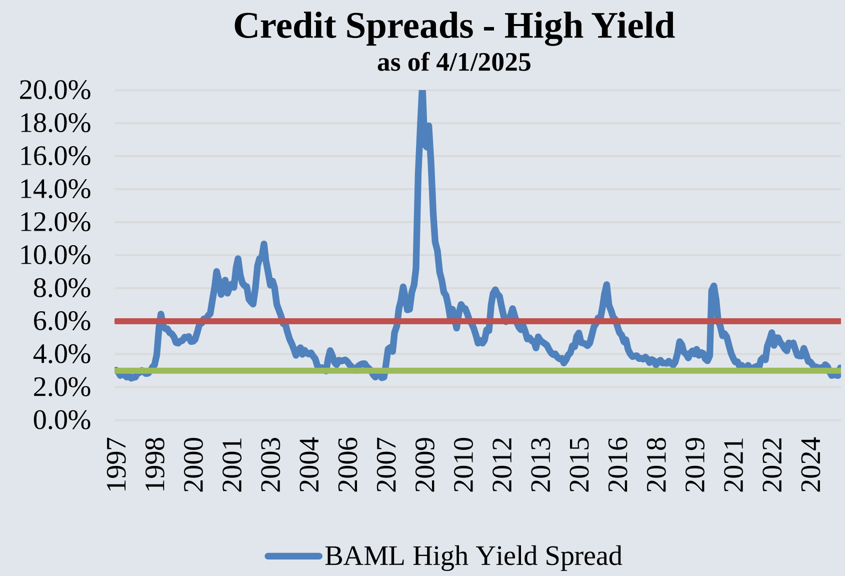
	1Q 25 Return	1-Yr Return	5-Yr Return	10-Yr Return
U.S. Aggregate Bond	2.78%	4.88%	-0.40%	1.46%
Municipals	-0.22%	1.22%	1.07%	2.13%
U.S. Mortgages	3.06%	5.39%	-0.69%	1.11%
U.S. IG Corporates	2.31%	4.90%	1.51%	2.43%
U.S. High Yield	1.00%	7.69%	7.29%	5.01%
3mo U.S. Treasury	1.04%	5.02%	2.60%	1.90%
30yr U.S. Treasury	4.28%	-0.11%	-10.12%	-1.63%
U.S. TIPS	4.17%	6.17%	2.36%	2.51%
Emerging Debt ($)	2.24%	6.75%	3.49%	3.16%
Emerging Debt (LCL)	4.31%	4.03%	2.30%	1.27%

Bloomberg and JPMorgan Indices

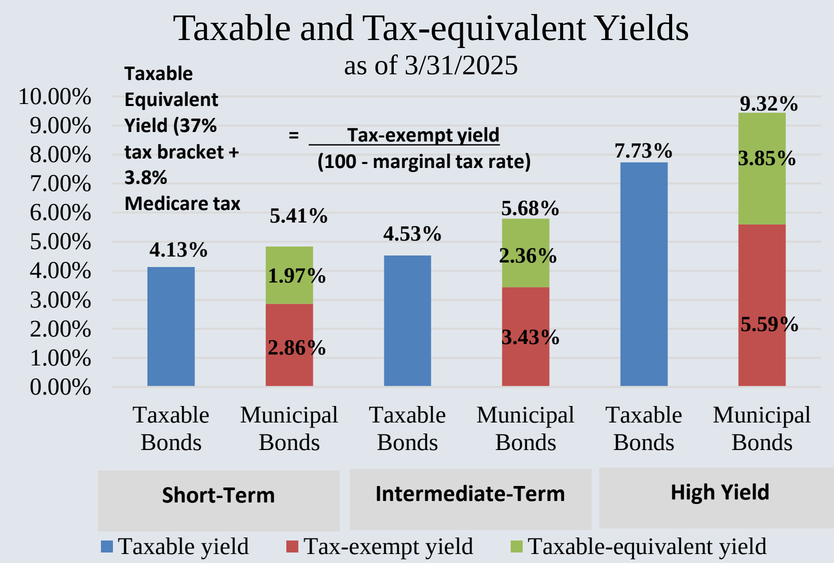
- Yields decreased during the first quarter and remain at attractive levels.



- Credit spreads widened during the quarter but remain at historically low levels.



- Municipals are currently more attractive relative to taxable bonds on an after-tax basis for investors in the highest marginal tax bracket.



DOMESTIC EQUITIES

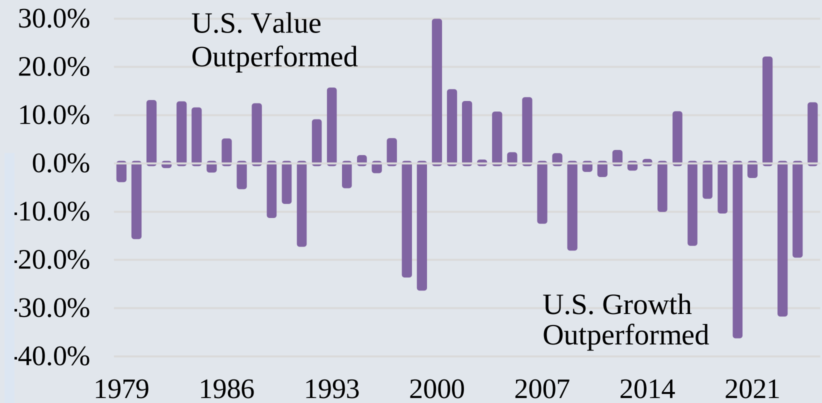
First Quarter 2025 Returns			
	Value	Core	Growth
Mega Cap		-7.6%	
Large Cap	2.1%	-4.5%	-10.0%
Mid Cap	-2.1%	-3.4%	-7.1%
Small Cap	-7.7%	-9.5%	-11.1%
Micro Cap	-12.3%	-14.4%	-17.8%

- The Russell 1000 Index, comprising of large and mid-capitalization stocks, posted a negative total return of 4.5% during the first quarter. On a year-over-year basis, the Russell 1000 Index has increased 7.8%.
- Small capitalization stocks, as represented by the Russell 2000 Index, decreased 9.5% during the first quarter. On a year-over-year basis, the index has decreased 4.0%.

	S&P 500 Weight	Russell 1000 Value Weight	Russell 1000 Growth Weight	1Q 25 Return	1-Yr Return	10-Yr Return
Energy	3.7%	7.1%	0.5%	10.2%	2.5%	6.2%
Materials	2.0%	4.2%	0.7%	2.8%	-5.7%	8.1%
Financials	14.7%	23.2%	7.7%	3.5%	20.2%	12.1%
Industrials	8.5%	14.1%	4.9%	-0.2%	5.6%	10.8%
Cons. Disc.	10.3%	5.8%	14.9%	-13.8%	6.9%	11.4%
Technology	29.6%	8.7%	46.2%	-12.7%	5.9%	20.6%
Comm. Services	9.2%	4.5%	12.7%	-6.2%	13.6%	10.3%
Real Estate	2.3%	4.7%	0.6%	3.6%	9.6%	6.6%
Health Care	11.2%	14.8%	7.8%	6.5%	0.4%	9.1%
Cons. Staples	6.1%	8.2%	3.9%	5.2%	12.4%	8.9%
Utilities	2.5%	4.8%	0.2%	4.9%	23.9%	9.5%
S&P 500 Index	100.0%	100.0%	100.0%	-4.3%	8.3%	12.5%

- During the quarter, technology underperformed, while seven of eleven sectors had positive performances. More domestic focused and traditionally defensive businesses tended to perform better.

U.S. Value vs. Growth Relative Equity Performance (as of 3/31/25)



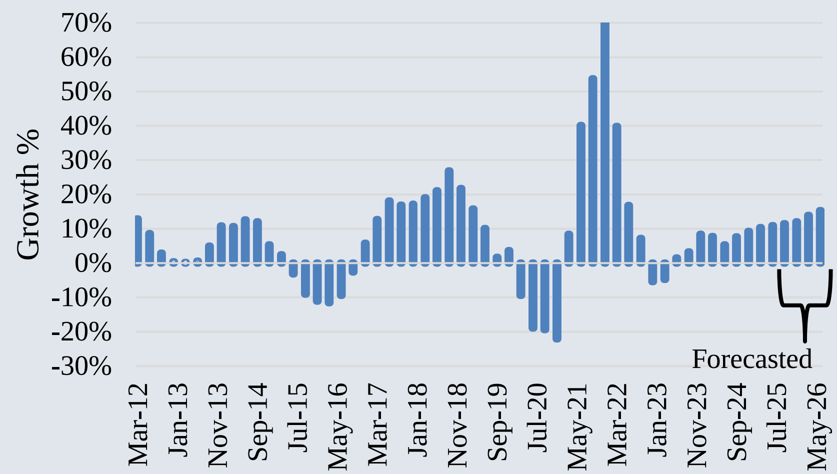
Russell 1000 Value TR vs. Russell 1000 Growth TR

- Value outperformed Growth significantly during the quarter. However, Growth has outperformed for thirteen out of the past eighteen years.

S&P 500 Earnings Growth

Trailing 12-Month Operating Earnings Growth YoY

(as of 4/24/2025)



- Corporate earnings are expected to grow by mid-double digits in 2025, with profit margins remaining strong. However, tariffs and policy changes may impact earnings.

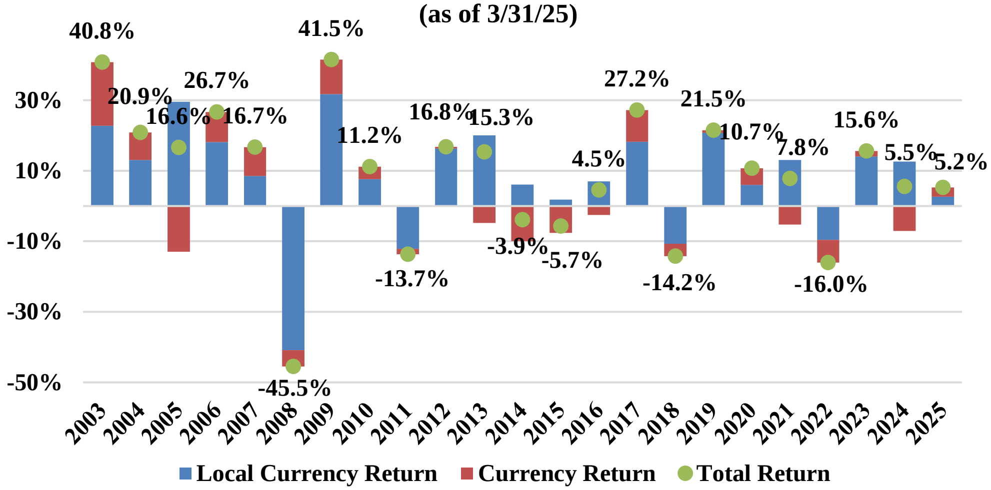
INTERNATIONAL EQUITIES

- Developed international stocks, as represented by the MSCI EAFE, were up 6.9% during the quarter, and up 4.9% on a year-over-year basis.
- Emerging market stocks underperformed developed markets during the first quarter as the MSCI Emerging Markets Index was up 2.9%. On a year-over-year basis, emerging market stocks are beating developed markets with a return of 8.1%.

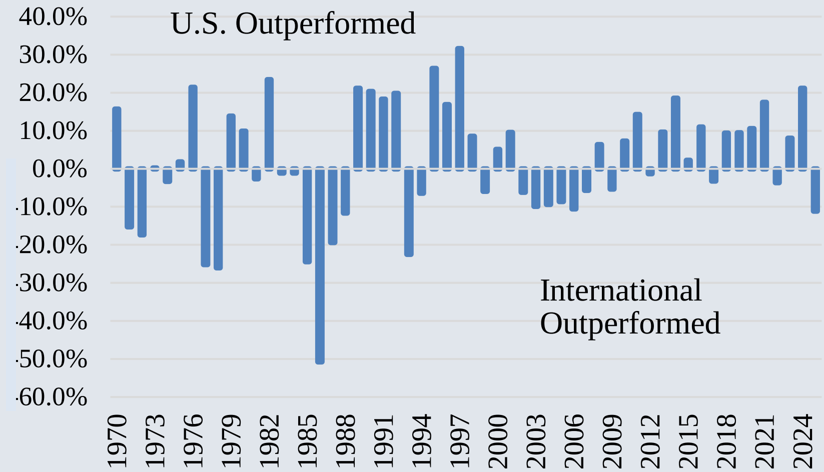
	1Q 25 Return	1-Yr Return	5-Yr Return	10-Yr Return
World	-1.3%	7.2%	15.2%	8.8%
World Ex-U.S.	5.2%	6.1%	10.9%	5.0%
EAFE	6.9%	4.9%	11.8%	5.4%
Europe	10.5%	6.9%	13.2%	5.7%
Japan	0.3%	-2.1%	8.8%	5.3%
Pacific Ex-Japan	0.3%	6.8%	10.1%	4.1%
Emerging Markets	2.9%	8.1%	7.9%	3.7%
EM (Asia)	1.3%	9.8%	7.5%	4.4%
EM (Latin America)	12.7%	-13.6%	11.8%	2.6%
EM (Eastern Europe)	28.3%	23.7%	-11.7%	-4.8%

- Currency was additive to international equity returns during the quarter. The U.S. dollar has been very strong the past ten years, but currency trends tend to be cyclical.

MSCI ACWI ex U.S. Index, total return and currency impact (as of 3/31/25)



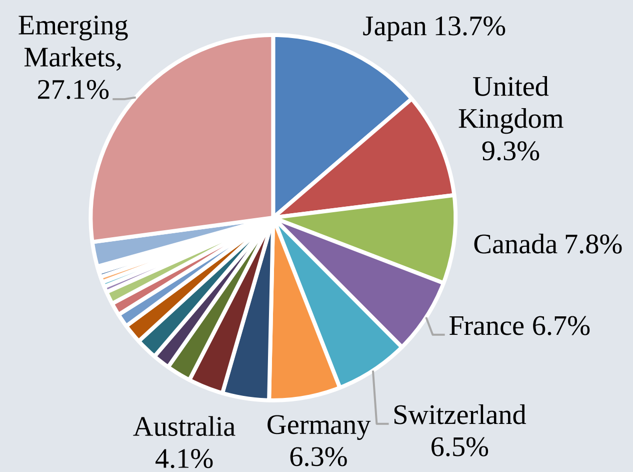
U.S. vs. International Equity Performance (as of 3/31/25)



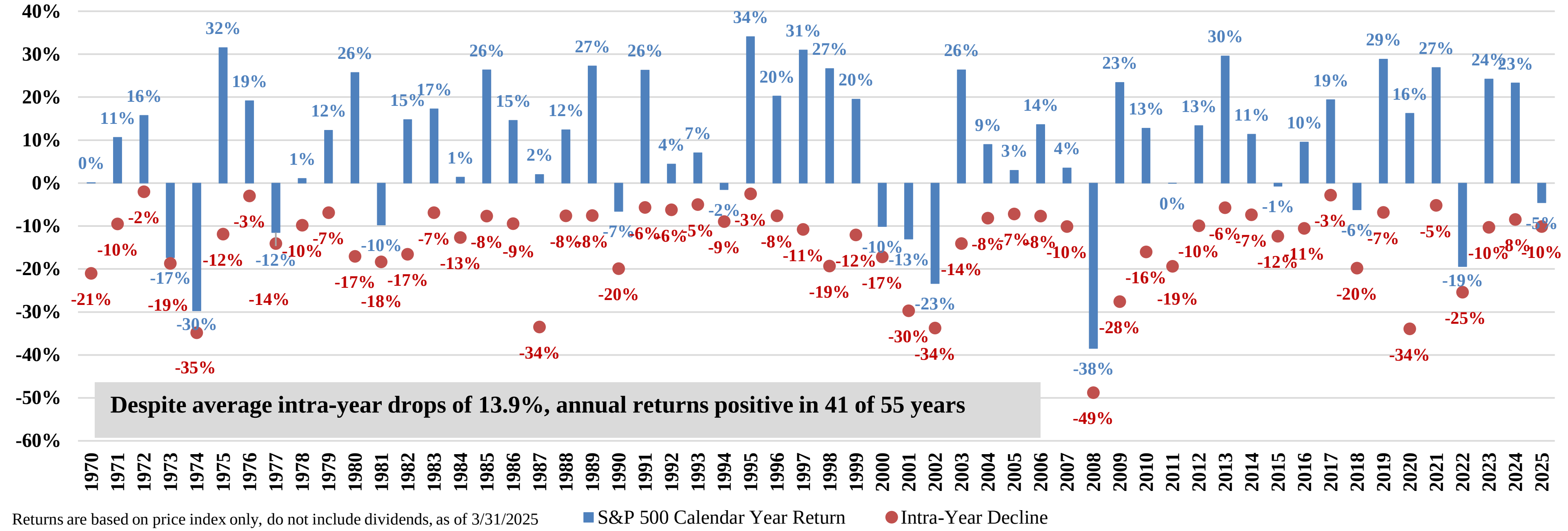
S&P 500 TR vs. MSCI EAFE NR

- International equities performed better than U.S. equities during the quarter. International equities have underperformed U.S. equities in twelve out of the last fifteen years. Performance is cyclical as shown in the chart above.

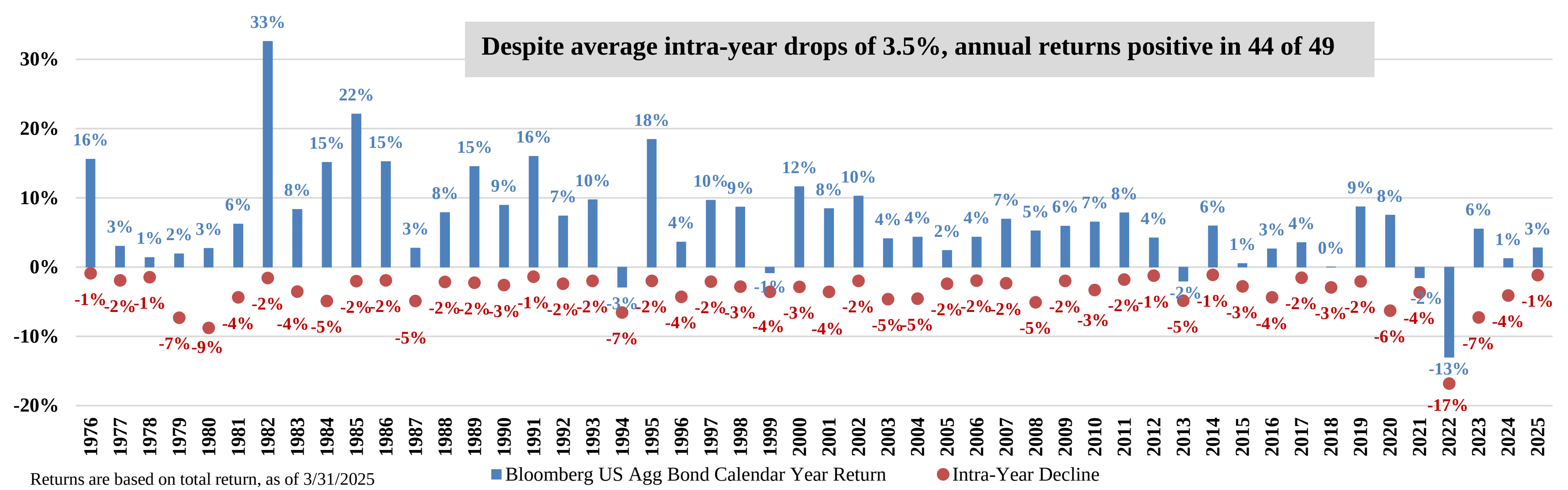
Country Weighting in MSCI ACWI ex U.S. (as of 3/31/2025)



S&P 500 Intra-Year Declines vs. Calendar Year Returns



Bloomberg U.S. Agg Bond Intra-Year Declines vs. Calendar Year Returns



Market leadership changes. Focus on asset allocation and diversification.

Best

Asset Class Performance

Worst

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	10-yrs '15-'24 Return	10-yrs '15-'24 Volatility
Real Estate 28.0%	Real Estate 2.8%	Small Cap 21.3%	Emerging Markets 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Real Estate 41.3%	Commodities 16.1%	Large Cap 26.3%	Large Cap 25.0%	Commodities 8.9%	Large Cap 13.1%	Small Cap 20.7%
Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	International 25.6%	Fixed Income 0.0%	Real Estate 28.7%	Emerging Markets 18.7%	Large Cap 28.7%	Cash 1.5%	International 18.9%	Small Cap 11.5%	International 7.0%	Small Cap 7.8%	Real Estate 17.7%
Fixed Income 6.0%	Fixed Income 0.6%	Large Cap 12.0%	Large Cap 21.83%	Real Estate -4.0%	Small Cap 25.5%	Large Cap 18.4%	Commodities 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Allocation 10.2%	Emerging Markets 3.0%	Asset Allocation 6.4%	Emerging Markets 17.1%
Asset Allocation 5.3%	Cash 0.0%	Commodities 11.8%	Small Cap 14.7%	High Yield -4.1%	International 22.7%	Asset Allocation 10.5%	Small Cap 14.8%	Fixed Income -13.0%	Asset Allocation 14.2%	High Yield 9.2%	Fixed Income 2.8%	Real Estate 5.8%	Large Cap 15.4%
Small Cap 4.9%	International -0.4%	Emerging Markets 11.6%	Asset Allocation 14.5%	Large Cap -4.4%	Asset Allocation 19.4%	International 8.3%	Asset Allocation 13.5%	Asset Allocation -13.9%	High Yield 14.0%	Emerging Markets 8.1%	Real Estate 2.8%	International 5.7%	International 15.2%
Cash 0.0%	Asset Allocation -2.0%	Real Estate 8.6%	High Yield 10.4%	Asset Allocation -5.8%	Emerging Markets 18.9%	Fixed Income 7.5%	International 11.8%	International -14.0%	Real Estate 11.4%	Commodities 5.4%	High Yield 1.9%	High Yield 4.5%	Commodities 13.8%
High Yield 0.0%	High Yield -2.7%	Asset Allocation 8.3%	Real Estate 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Emerging Markets 10.3%	Cash 5.3%	Cash 1.0%	Emerging Markets 4.0%	Asset Allocation 10.3%
Emerging Markets -1.8%	Small Cap -4.4%	Fixed Income 2.7%	Fixed Income 3.5%	Commodities -11.3%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Emerging Markets -19.7%	Fixed Income 5.5%	Real Estate 4.9%	Asset Allocation 0.5%	Cash 1.8%	High Yield 8.6%
International -4.5%	Emerging Markets -14.6%	International 1.5%	Commodities 1.7%	International -13.4%	Commodities 7.7%	Commodities -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	International 4.4%	Large Cap -4.3%	Fixed Income 1.4%	Fixed Income 5.03%
Commodities -17.0%	Commodities -24.7%	Cash 0.3%	Cash 0.8%	Emerging Markets -14.3%	Cash 2.2%	Real Estate -5.1%	Emerging Markets -2.2%	Real Estate -25.0%	Commodities -7.9%	Fixed Income 5.5%	Small Cap -9.5%	Commodities 1.3%	Cash 0.6%

Performance of all sited indices is calculated on a total return basis and includes dividend reimbursement. Indices are not available for direct investment. Past performance is not indicative of future results. It is important to remember that there are risks inherent in any investment and there is no assurance that any asset class or index will provide positive performance over time.

* Large Cap – S&P 500 Index
* Small Cap – Russell 2000 Index
* International – MSCI EAFE GR Index
* Emerging Markets – MSCI EM GR Index
* Fixed Income – Barclays Capital Aggregate Bond Index
* Real Estate – FTSE NAREIT All Equity REIT Index
* Commodities – Bloomberg Commodity Index
* High Yield – Barclays Global High Yield Index

*Cash – Barclays 1-3m Treasury Index

The "Asset Allocation" portfolio assumes the following weights: 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Barclays Agg, 5% Barclays 1-3m Treasury, 5% Barclays Global High Yield Index, 5% Bloomberg Commodity Index, 5% FTSE NAREIT All Equity REIT Index

Source: Morningstar, through 3/31/2025

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Investment decisions should be made based on an investor's specific circumstances taking into account items such as, risk tolerance, time horizon and goals and objectives. All investments have some level of risk associated with them and past performance is no guarantee of future success.