



STONEBRIDGE
Capital Advisors

Monthly Market Commentary

February 2025 Review

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MARKET COMMENTARY

Equity Review

Market Update & Investment Perspective

The S&P 500 declined 1.4% last month, offsetting half of January's gains to leave the S&P 500 Index up 1.4% so far in 2025. The market appears to be broadening beyond the "Magnificent 7" stocks with the average stock in the S&P 500 up 2.9%, led by value stocks with the Russell 1000 Value Index up 5%.

Small-cap stocks have struggled with the Russell 2000 Small Cap Index down 2.9% this year. International stocks have advanced by over 5%, making them one of the best performing equity classes in 2025. This divergence in equity returns reflects the extraordinary two-year rally in U.S. Large Capitalization Growth stocks and uncertainty about the near- and longer-term impacts of evolving U.S. Policies.

Earnings Season & Market Sentiment

The corporate earnings season is coming to a close with 485 of the S&P 500 companies reporting quarterly results since the start of the year. Results have been relatively strong with most of the focus placed on company outlooks for 2025.

In general, companies provided conservative outlooks, which makes sense given policy uncertainty around tariffs, immigration, taxes and regulation. Management teams will have to navigate evolving policies and may potentially adjust strategies to increase shareholder value over time.

Staying Focused Amid Uncertainty

Markets always face uncertainties, whether from macroeconomic shifts, geopolitical tensions, elections, or unexpected global events. As investors, it's critical to focus on what we can control rather than what we cannot, specifically:

- **Asset Allocation** – Ensure your portfolio's composition of stocks and bonds align with your long-term goals, rather than reacting and making adjustments following extreme market moves.
- **Diversification** – Maintain strategic exposure to asset classes, markets, sectors, and stocks - a time-tested strategy that can capture upside opportunities while mitigating downside risk.
- **Concentration Risk** – Avoid having too much exposure to one company or one performance factor in your portfolio. Just because a particular stock represents 7% of an index doesn't mean it should represent the same portion in your portfolio.

Market fluctuations are inevitable, but a disciplined, balanced approach ensures long-term success—no matter the headlines of the day.

Fixed Income Review

The bond market staged an impressive rally during the month, leading to positive performance across the board. The 1-10 Year Treasury Bond Index was up over 1% in February alone and is now up over 1.60% since the start of the year. The yield curve (3-month to 10-year) inverted again this month as longer-term rates fell precipitously - another warning that economic growth could stall out in the coming months.

While the Fed has been indicating that it is holding steady on additional rate cuts at this stage, any slowing in activity would likely spur further easing. Aside from the inversion seen at the very shortest part of the curve, the longer yield

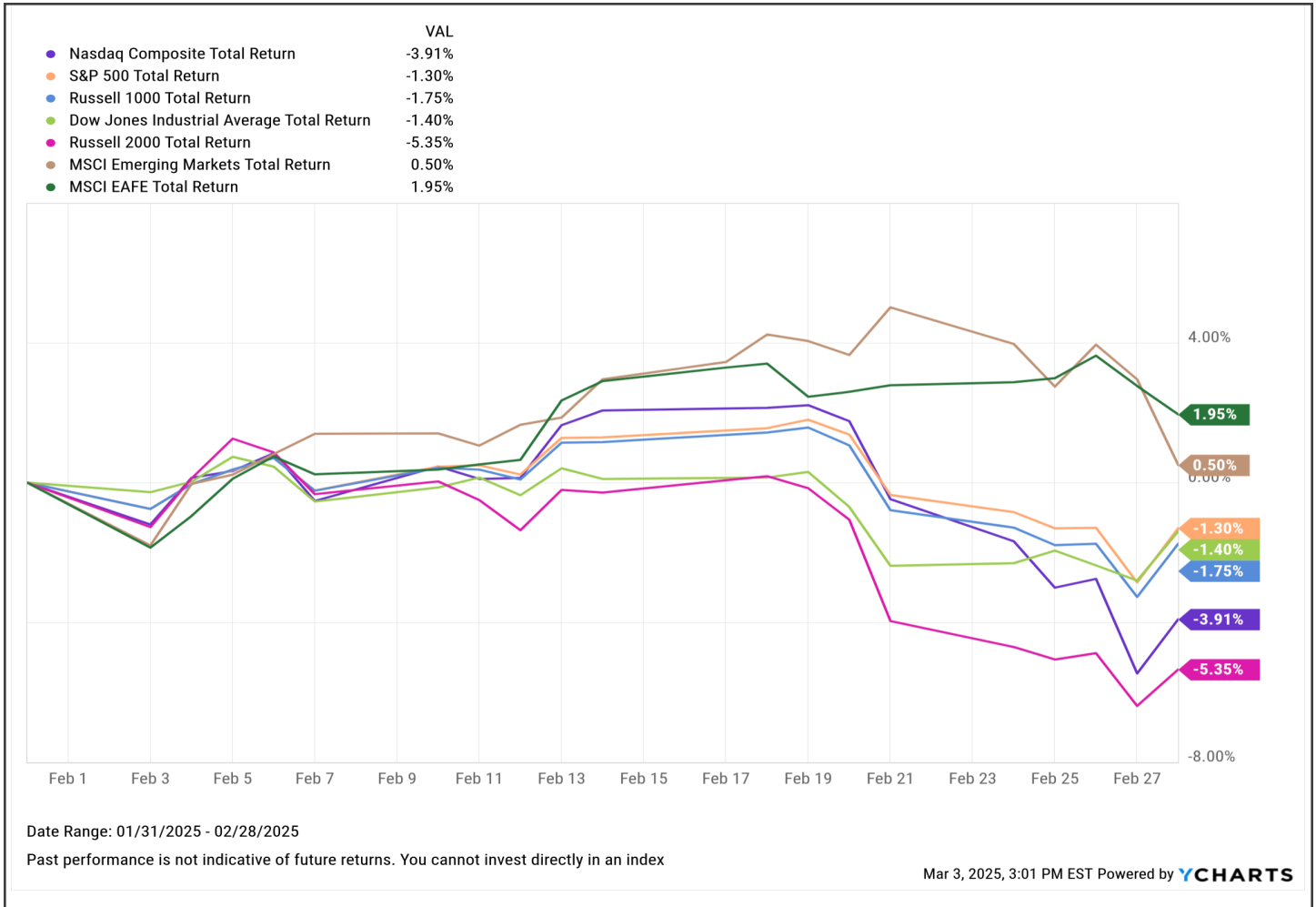
curve continues to normalize. In other words, investors are once again earning more yield as they add more duration. That said, moving from a 10 to a 30-year Treasury adds less than 25 basis points in return, so keeping maturity structure more moderate (inside of 10 years) still captures over 90% of the available yield.

Whether we are targeting corporate or municipal credits, we continue to focus on the most attractive yielding opportunities within the mid-to-longer end of that range where appropriate for client portfolios. We still see that as the sweet spot on the curve in the current rate environment.



MARKET COMMENTARY

Graph I: YTD | Major Index Returns



Supremely rational investors take the further step of acting against consensus, rebalancing to long-term portfolio targets by buying the out-of-favor and selling the in-vogue.

- David F. Swensen



OVERVIEW

Key Moves

Equity Market Moves

01/31/2025 - 02/28/2025

S&P 500:

6040.53 to 5954.50 (down 86.03)

Dow Jones:

44544.66 to 43840.91 (down 703.75)

NASDAQ:

19627.44 to 18847.28 (down 780.16)

Fixed Income Market Moves

01/31/2025 - 02/28/2025

2-Year Treasury:

4.22% to 3.99% (down 23 bps)

10-Year Treasury:

4.58% to 4.24% (down 34 bps)

10-Year A-rated Corporate:

5.28% to 5.02% (down 26 bps)

10-Year AAA-rated Municipal:

2.91% to 2.86% (down 5 bps)

Equities

Stonebridge's equity investment style provides a method for growth and income generation. Within this style, we utilize three equity strategies to invest in industry-leading, domestic companies with solid fundamentals. Principally, we focus on large-cap equities because they are more mature companies who offer attractive growth potential and generally experience lower volatility.

Our equity strategies are designed to achieve varying client investment goals and risk tolerances.

LARGE CAP GROWTH

est. January 2001

GROWTH & INCOME

est. March 2015

DIVIDEND INCOME

est. March 2011

Fixed Income

Stonebridge's approach to fixed income seeks to provide principal protection, asset liquidity and income generation. We manage two fixed income strategies - taxable bond and tax-exempt municipal bond - that both utilize individual securities, and are broadly diversified across sectors and issuers. We maintain a conservative risk profile, focusing on investment-grade credit. Individual security selection is made through a bottom-up approach that identifies relative value among issuers within each sector.

Our fixed income strategies are custom tailored to meet each individual client's unique investment goals and income requirements.

TAXABLE

est. December 1998

TAX-EXEMPT

est. June 1997



ABOUT THE AUTHORS



Michael Dashner, CFA

Director of Equity, Portfolio Manager

Michael Dashner is the Director of Equity of Stonebridge's Investment Team, heading the management, analysis, allocation, and trading of the firm's Equity Large Cap, Growth, Equity Dividend Income, and Equity Growth & Income strategies.

As a CFA® charterholder and portfolio manager, he works directly with clients and advisors to establish customized investment portfolios for high-net-worth individuals and families and institutions.



Jon Lynn

Director of Fixed Income, Portfolio Manager

Jon Lynn is the Director of Fixed Income of Stonebridge's Investment Team, leading the trading, credit analysis, and portfolio manager of the firm's Taxable Fixed Income and Tax-Exempt Fixed Income strategies.

As a fellow member of the Stonebridge Investment Review Committee and Research Committee, Jon oversees all aspects of the firm's bond trades in separately managed portfolios.



Brent Mellum, CFA

Portfolio Manager

Brent Mellum is one of the lead portfolio managers at Stonebridge, with over 30 years of experience delivering client results through constructing and managing portfolios and security analysis.

As a CFA® charterholder and portfolio manager, Brent works directly with our clients to provide full-service portfolio management – from developing goals and investment objectives to day-to-day portfolio activities. He is a trusted advisor who values relationships and opportunities for partnership.

Important Disclosure Information

All information herein is as of March 3, 2025, unless otherwise indicated.

The views expressed here reflect those of Michael Dashner, CFA, Jon Lynn, Brent Mellum, CFA, and the Stonebridge Capital Advisors Investment Team, as of the date noted. They may change as economic fundamentals and market conditions change. This commentary is provided as a general source of information only and is not intended to provide investment advice for individual investor circumstances. Past performance does not guarantee future results.

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Additional information may be available upon request.