STONEBRIDGE
Capital Advisors

Monthly Market Commentary

March 2025 Review

MARKET COMMENTARY

Equity Review

The month of March closed out the first quarter of 2025 on a weaker note, with negative returns across the major U.S. equity indices. However, not all stock strategies followed suit. In fact, there were several noteworthy developments worth highlighting:

1. Mega-cap Underperformance:

Large-cap tech and growth leaders trailed the broader market. The Market-Cap-Weighted S&P 500 declined -4.48% for the quarter, while the Equal-Weighted version of the index posted a modest -0.61% decline—highlighting the drag from top-heavy names.

2. Growth vs. Value Divergence:

Growth stocks significantly underperformed their value counterparts. The Russell 1000 Growth Index fell -9.97%, while the Russell 1000 Value Index gained +2.13%, marking one of the widest spreads in recent memory.

3. Dividend Strength:

Income-focused strategies held up well, with the S&P High Dividend Total Return Index gaining +3.43% for the quarter.

After two years of dominance led by U.S. large-cap growth stocks, a pullback is not surprising in hindsight. But this shift isn't solely a matter of growth versus value: it's a broader story about position sizing and concentration risk.

Over the past year, we've emphasized the importance of understanding the risks associated with concentrated exposures—particularly when a small number of stocks comprise an outsized portion of an index or portfolio. For example, while the S&P 500 Market-Cap-Weighted and Equal-Weighted indices include the same companies, the former has over 33% of its weight in just 10 names. As recent performance shows, this creates heightened vulnerability when those names falter.

Looking Ahead: Staying Disciplined Through Volatility

So, what does this mean for the outlook?

We remain constructive on equities as a long-term asset class for capital appreciation. However, participating in that long-term upside requires having the appropriate level of risk exposure and the discipline to stay invested through market turbulence. Volatility can be unsettling—but it can also be an opportunity. History shows that jumping in and out of markets based on short-term moves often leads to subpar returns. In contrast, using volatility to add high-quality positions or to rebalance your portfolio can be a powerful way to compound wealth over time.

Now is an excellent time to revisit your asset allocation, risk profile, and long-term goals. When those are aligned, staying the course becomes easier—and you're better positioned to take advantage of market dislocations when they arise.

Fixed Income Review

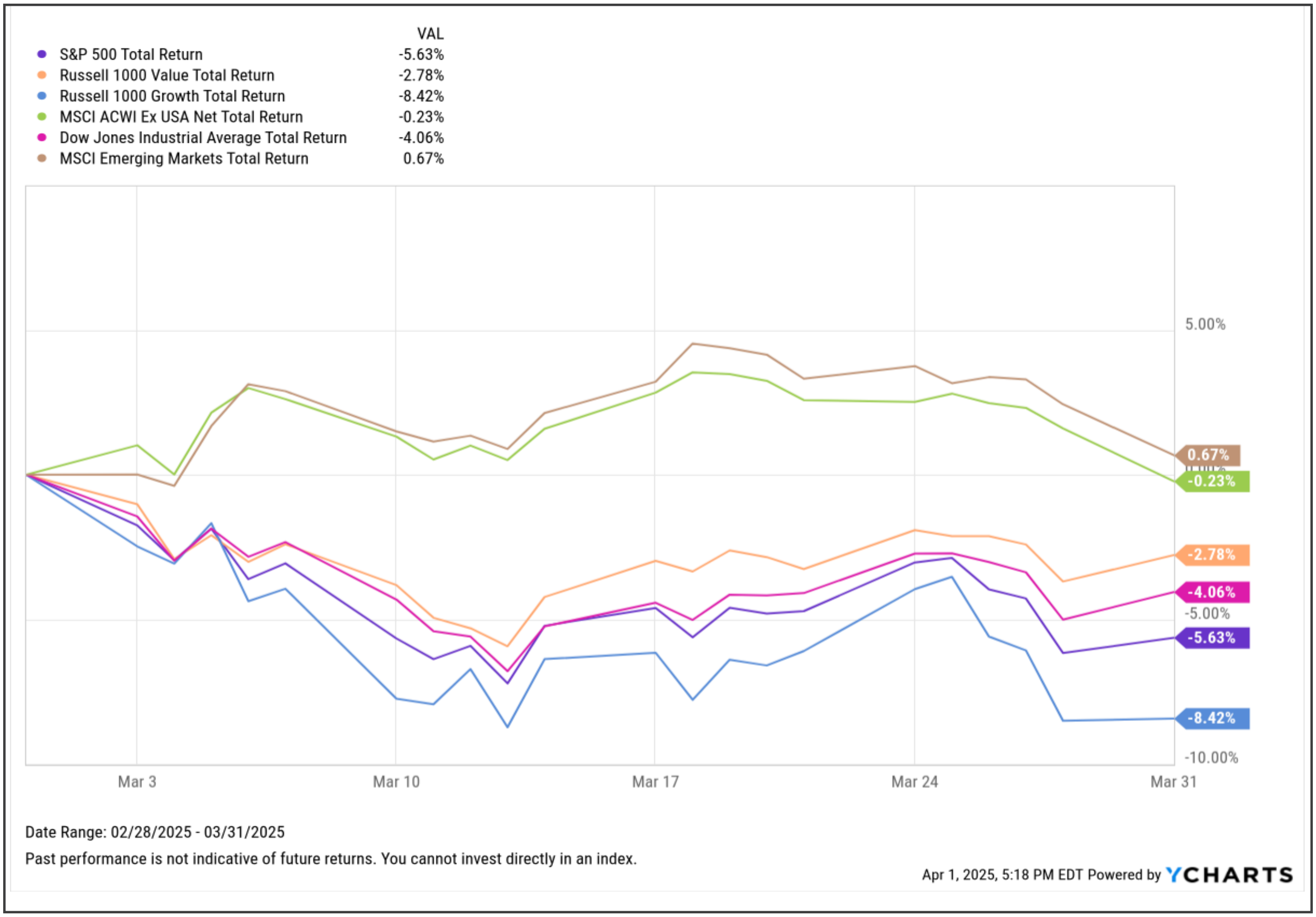
Overall, fixed income shined in the first quarter with the U.S. Aggregate Bond Index returning over 2 ½% as interest rates largely drifted lower. Municipal bonds, however, bucked that trend. A steady sell-off into quarter-end left munis, as a class, in slightly negative return territory. Demand, for once, could not keep up with the strong new issue supply, leading to higher rates. That has pushed relative value ratios (tax-exempt to Treasury yield) into cheap readings for buyers looking to pick up attractive comparable tax-free returns.

Corporate credit spreads have widened some in recent weeks (both investment-grade and high-yield) but are still quite narrow from a historical standpoint. Given the potential risks posed by a wide-scale trade war breaking out, current spread levels, particularly on junkier, speculative-grade companies, do not seem to reflect a great deal of investor concern. That could be problematic for high-yield investors who may find that they really own more of an "equity-like" security if profitability, and ultimately, the ability to service debt were to weaken significantly and spreads rapidly expand.

Our focus on the taxable bond side has continued to favor larger and higher quality, investment-grade companies for just that reason. If we do see a slowing in economic growth, those are the borrowers that have the strongest balance sheets and the financial flexibility to continue to adequately meet their debt obligations. As a bond investor, that's what matters most.

MARKET COMMENTARY

YTD | Major Index Returns



We don't prognosticate macroeconomic factors, we're looking at our companies from a bottom-up perspective on their long-run prospects of returning.

- *Mellody Hobson*

OVERVIEW

Key Moves

Equity Market Moves

02/28/2025 - 03/31/2025

S&P 500:
5954.5 to 5611.85 (down 342.65)

Dow Jones:
43840.91 to 42001.76 (down 1839.15)

NASDAQ:
18847.28 to 17299.29 (down 1547.99)

Fixed Income Market Moves

02/28/2025 - 03/31/2025

2-Year Treasury:
3.99% to 3.89% (down 10 bps)

10-Year Treasury:
4.24% to 4.23% (down 1 bps)

10-Year A-rated Corporate:
5.02% to 5.10% (up 8 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 instituions.

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.

Important Disclosure Information
All information herein is as of April 2, 2025, unless otherwise indicated.

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Additional information may be available upon request.