



STONEBRIDGE
Capital Advisors

MONTHLY MARKET COMMENTARY

JUNE 2025 REVIEW

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*Michael Dashner, CFA | Director of Equity, Portfolio Manager*

EQUITY REVIEW

And Just Like That, The First Half of 2025 Is In The Books.

Risk assets, barring a few exceptions, delivered strong performance to start the year - despite enduring a brief 21% correction in April. Following the tariff-driven selloff, markets have fully recovered, with both the S&P 500 and NASDAQ Composite Index reaching all-time highs. International stocks led the way, with the FTSE All-World ex-US Index gaining an impressive 17.5% year-to-date. Unfortunately, U.S. small-cap stocks lagged, posting a year-to-date return of -0.64%, despite a strong rebound in June.

June brought its share of challenges. Several companies revised their profit outlooks downward amid ongoing trade uncertainty, and the U.S. led a targeted bombing operation aimed at limiting Iran's nuclear weapons capabilities. Despite these geopolitical and economic headwinds, equity markets have remained largely resilient, or at the very least, resilient to external shocks - suggesting either confidence in fundamentals or a continued willingness to look through short-term disruptions.

From a sector perspective, Industrials and Communications have led performance year-to-date, while Consumer, Health Care, and Energy sectors have struggled to break even. Tesla, due to its size and a sharp 25% decline, has had an outsized impact on the Consumer space. More broadly, companies who are exposed to global supply chains - such as Nike who derives over half of its revenue from outside of North America - remain particularly vulnerable to trade pressures. These depressed valuations, however, may present compelling opportunities, especially as high-growth areas like AI and Technology become increasingly stretched. Should a sustained market rotation take place, these overlooked sectors could be positioned for meaningful outperformance.

Federal Reserve Outlook

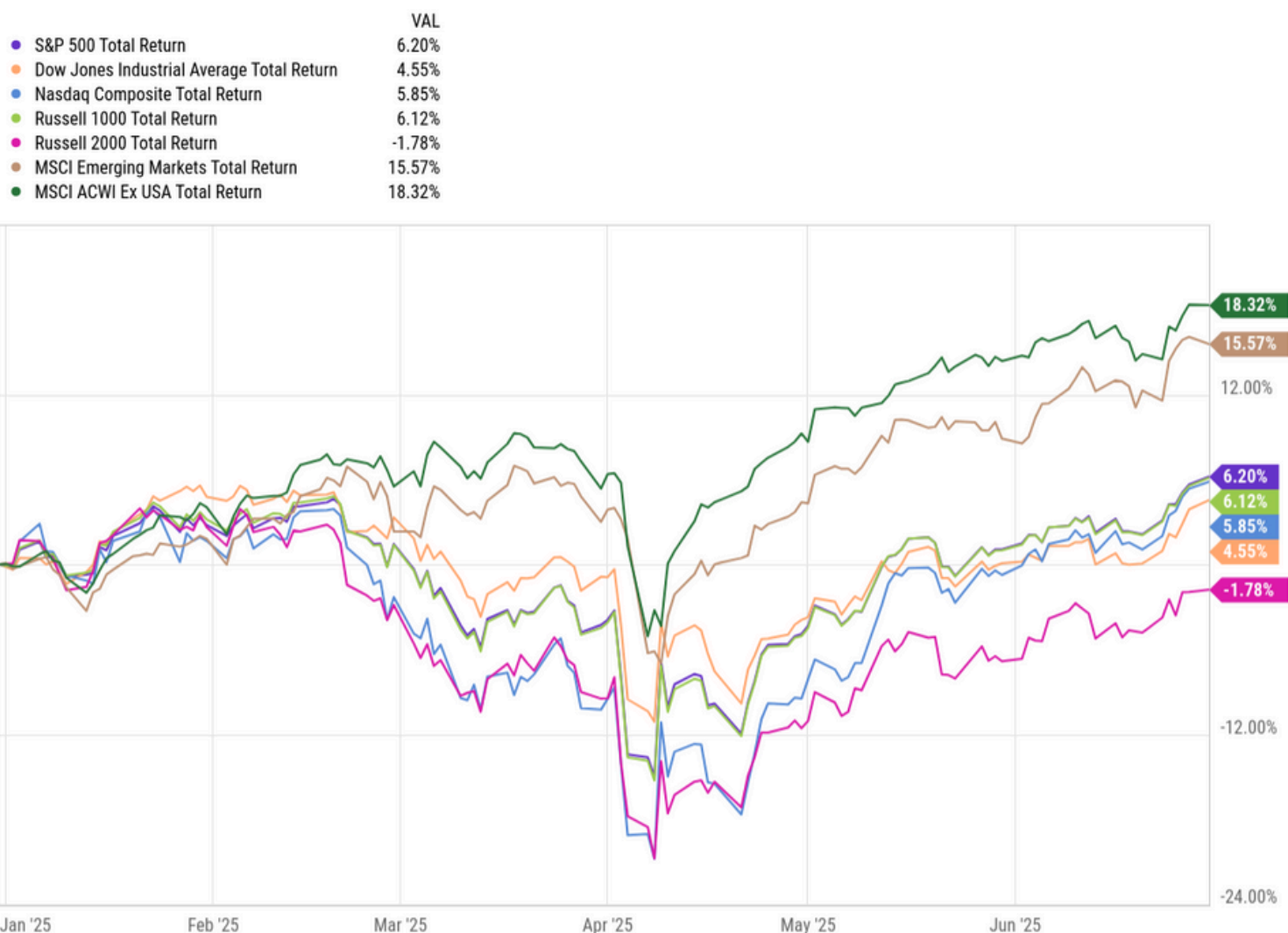
There has been mounting pressure on the Federal Reserve to accelerate the pace of rate cuts. While tariff-related inflation has not yet appeared in the data, the Fed remains concerned it could emerge in the second half of the year. In recent remarks, Fed Chair Powell emphasized the FOMC's commitment to a data-dependent approach. The market currently expects two rate cuts in the second half of 2025, with some strategists forecasting as many as three. At Stonebridge, we anticipate fewer cuts - but we leave that to the Fed and prefer to let the data guide expectations.

Looking Ahead

With the market at all-time highs, uncertainty still clouds the horizon. But it's important to remember that an all-time high is not the same as an all-time top - the market recorded 57 new highs in 2024 alone. We continue to believe that equities offer the most attractive opportunity for long-term growth and capital appreciation. However, avoiding forced selling during downturns is critical. The key is to maintain an asset allocation aligned with your realistic risk tolerance. As long as near-term liquidity needs are covered by other parts of the portfolio, equity volatility should not drive impulsive decisions to de-risk or exit positions. The most reliable path to success in the stock market remains long-term compounding. Structuring your portfolio to withstand market turbulence is a time-tested strategy for helping achieve your ultimate investment objectives.



Major Index Returns



Date Range: 12/31/2024 - 06/30/2025

Past performance is no guarantee of future results. You cannot invest directly in an index

Jul 1, 2025, 1:38 PM EDT Powered by **YCHARTS**

“What’s important is that our strategy hasn’t changed. We’re fundamental investors and what it means to be a disciplined investor is you have to be disciplined when times are good and when times are bad.”

- Michael Dashner, CFA | Director of Equity

April 10th, 2025 - Stonebridge Annual Economic Forum



Jon Lynn | Director of Fixed Income, Portfolio Manager

FIXED INCOME REVIEW

Bonds rallied broadly in June, continuing the strong performance we have seen for most of the first half of the year. The positive performance has obviously come in conjunction with falling yields. Market expectations for two additional rate cuts before year-end have kept fixed income securities well bid, particularly on the shorter end.

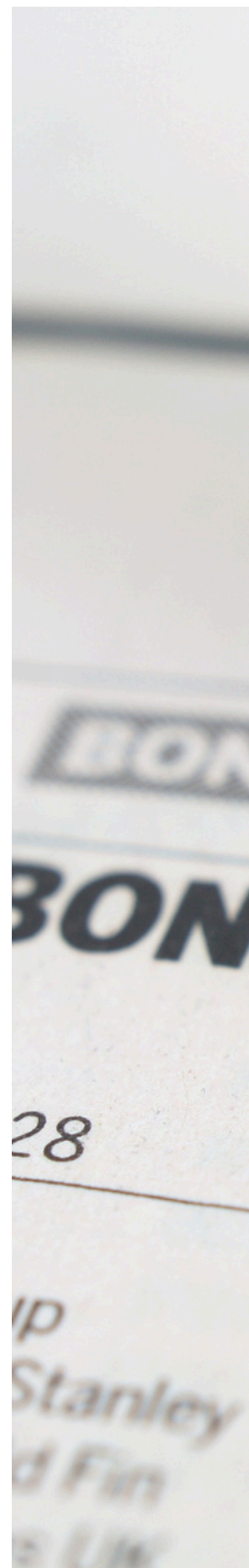
While interest rates are down from their peaks, they are still in attractive territory. However, corporate credit spreads (both investment-grade and junk) continue to compress, further reinforcing our case that investors are not being compensated for taking on credit risk reaching for high yields.

With stocks hitting all-time highs again, this environment continues to offer opportunities to rebalance portfolio allocations that may now be overweighted in risk assets.

“If we see inflation rise, we would expect the longer-term interest rates to rise as well. So, for us, we see that as an opportunity to continue picking up attractive longer-term yields. We think right now is a good time to be in bonds.”

- Jon Lynn | Director of Fixed Income

April 10th, 2025 - Stonebridge Annual Economic Forum



OVERVIEW

Key Market Moves

05/31/2025 - 06/30/2025

S&P 500:

5911.69 to 6204.95 (up 293.26)

.....

Dow Jones:

42270.07 to 44094.17 (up 1824.7)

.....

NASDAQ:

19113.77 to 20369.73 (up 1225.96)

.....

Key Market Moves

05/31/2025 - 06/30/2025

2-Year Treasury:

3.89% to 3.72% (down 17 bps)

.....

10-Year Treasury:

4.41% to 4.24% (down 17 bps)

.....

10-Year A-Rated Corporate:

5.33% to 5.21% (down 12 bps)

.....

10-Year AAA-Rated Municipal:

3.33% to 3.26% (down 7 bps)

.....

Equity

Stonebridge's equity investment style seeks to provide methods for growth and income generation. Within this style, we utilize three equity strategies to invest in industry-leading, domestic companies with solid fundamentals.

We focus on companies with attractive fundamentals, highlighted by strong profit margins, cash flows, and balance sheets.

Prioritizing portfolio diversification, we take advantage of lagging sectors and identify best-in-class companies on an on-going basis. Our disciplined approach allows for us to actively manage portfolios, regardless of market conditions.

EQUITY LARGE CAP GROWTH

est. January 2001

EQUITY DIVIDEND INCOME

est. March 2011

EQUITY GROWTH & INCOME

est. March 2015

Fixed Income

Stonebridge's approach to fixed income seeks to provide principal protection, asset liquidity and income generation. We manage two fixed income strategies that both utilize individual securities, and are broadly diversified across sectors and issuers.

Maintaining a conservative risk profile, we favor high quality investment-grade credit and capitalize on yield curve relative value. We focus on opportunities along the yield curve to help provide income and lower volatility.

FIXED INCOME TAX-EXEMPT

est. June 1997

FIXED INCOME TAXABLE

est. December 1998

Important Disclosure Information

All information herein is as of July 1, 2025, unless otherwise indicated.

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Investment Risks

All investing involves risks, including the possibility of a loss of principal. Your capital may be at risk. The value, price, or income of investments or financial instruments can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Past performance is not a guarantee or reliable indicator of future results.

Foreign investments are especially volatile and can rise or fall dramatically due to differences in the political and economic conditions of the host country. These risks are generally intensified in emerging markets.

Additional Risk Considerations

Forecasts and targets are based on certain assumptions and on our current views of market and economic conditions, which are subject to change. There can be no assurance that any investment strategy will be successful and meet its investment objectives. Investments fluctuate with changes in market and economic conditions and across different environments due to multiple factors, some of which may be unpredictable. Asset allocation and diversification do not guarantee investment returns or eliminate risk of loss. All investing involves risks, including the possibility of a loss of principal. Past performance is not necessarily indicative of future results.

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Additional information may be available upon request.



For more information:

We always welcome the opportunity to work with you. If you are interested in learning more about how our expertise can elevate your investment strategies, please do not hesitate to contact us today!

