STONEBRIDGE
Capital Advisors

MONTHLY MARKET COMMENTARY

JULY 2025 REVIEW

Michael Dashner, CFA | Director of Equity, Portfolio Manager

EQUITY REVIEW

Earnings & AI Optimism

July was another strong month for domestic risk assets with U.S. stocks outperforming even foreign equities during the month, though they still trail year-to-date. Several of the "Magnificent 7" companies reported impressive earnings, most notably Meta, reinforcing the belief that we are still in the early innings of the AI revolution. With roughly two-thirds of the second-quarter earnings season complete, most company management teams have surprised to the upside and offered somewhat optimistic forward guidance.

Policy & Trade

As in the previous quarter, many companies referenced trade relations and tariff risks, but investors, by and large, appear to be looking through these policy concerns. In fact, the S&P 500 notched 10 new all-time highs in July. This is not to suggest investors will remain indifferent if tariffs ultimately impact profitability, but for now, these concerns do not appear to be weighing heavily on sentiment; this differs from April when policy concerns triggered market jitters.

Style Overlap: Growth vs. Value

While growth stocks (Russell 1000 Growth up 3.78%) far outpaced value stocks (Russell 1000 Value up just 0.57%), we are starting to see a curious overlap between the two styles. For example, Amazon, Alphabet, and Meta are all among the top 10 holdings in both the iShares Russell 1000 Growth ETF and the iShares Russell 1000 Value ETF. This means that investors holding broad-based strategies, such as the S&P 500, Russell 1000, or Russell Value Index, may have less diversification than expected. Typically, growth and value factor-based strategies are mutually exclusive, but it's important to look under the hood - whether in active or passive strategies - to understand true exposure to underlying holdings.

Fed & Labor Market

The Federal Reserve made no changes to short-term interest rates at its July meeting, but last Friday's employment report came as a surprise. Not only were July's figures soft, but the May and June reports were also revised significantly downward. The cause of this labor market softness is difficult to pinpoint, some cite tariffs, while others suggest businesses paused hiring while the federal budget bill was being finalized. Now that the bill has passed, hiring may resume. As is often the case, the truth likely lies somewhere in the middle. Regardless, markets responded by more than doubling the implied probability of a rate cut by the FOMC in September.

Strategic Implications for Investors

Navigating the second half of the year will certainly present challenges, but the market has made one thing clear: investors must consider their risk tolerance, both to the upside and downside. Being underexposed to risk assets, particularly equities, can significantly impair long-term portfolio growth. At the same time, being overallocated beyond one's risk tolerance can lead to forced selling during downturns, jeopardizing long-term financial health. With the S&P 500 already up 27% from this year's lows, the cost of sitting on the sidelines can be high. The best way to participate in such rallies is by maintaining a long-term focus and resisting the urge to make large asset allocation changes during periods of volatility. The VIX dropped below 15 last week, only to spike to nearly 22 by Friday. With intraday swings this large, a steady long-term positioning remains essential.

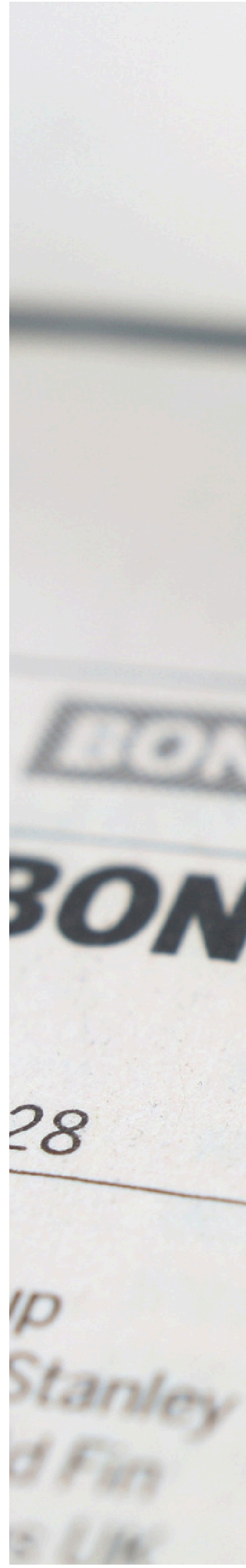
"What's important is that our strategy hasn't changed. We're fundamental investors and what it means to be a disciplined investor is you have to be disciplined when times are good and when times are bad."

- Michael Dashner, CFA | Director of Equity

April 10th, 2025 - Stonebridge Annual Economic Forum

Jon Lynn | Director of Fixed Income, Portfolio Manager

FIXED INCOME REVIEW



Lower Yields, Tightened Credit Spreads
July's jobs report, released last Friday, came in weaker than expected, sending Treasury prices higher and rates tumbling. A softer job market than the one depicted after the FOMC meeting increased expectations for a rate cut sooner rather than later in the year. The 2-year Treasury ended the month at 3.94%; as of this writing, it has fallen to just over 3.70%.

For much of the summer, yield seekers have been watching credit spreads grind ever tighter, making the hunt for value more challenging. An uptick in equity volatility could help ease that some, as investors reevaluate risk and spreads.

Bonds Remain Attractive
That said, bonds remain an attractive asset class to generate income and as a valuable anchor for portfolios when equity volatility rises. Our fixed income strategies continue to focus on companies and issuers with strong credit metrics that also carry attractive yields over comparable offerings.

In the taxable market, most recently, we have been seeing that in some consumer, technology, healthcare and regulated utility companies. In tax-exempts, we have been finding value in callable bonds (which typically trade slightly cheaper than non-callables due to the option to refinance afforded to the issuer). Specifically, callable bonds that were originally issued at low yields, making an immediate call less likely in the current environment.

Generally, by this time in the summer we should still be stuck in the doldrums, but this year, it seems the excitement never ends!

"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

06/30/2025 - 07/31/2025

S&P 500:
6204.95 to 6339.39 (up 134.44)

Dow Jones:
44094.77 to 44130.98 (up 36.21)

NASDAQ:
20369.73 to 21122.45 (up 752.72)

Key Market Moves

06/30/2025 - 07/31/2025

2-Year Treasury:
3.72% to 3.94% (up 22 bps)

10-Year Treasury:
4.24% to 4.37% (up 13 bps)

10-Year A-Rated Corporate:
5.21% to 5.09% (down 12 bps)

10-Year AAA-Rated Municipal:
3.26% to 3.32% (up 6 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 August 4, 2025, unless otherwise indicated.

The views expressed here reflect those of Michael Dashner, CFA, Jon Lynn, and the Stonebridge Capital Advisors Investment Team, as of the date noted and are subject to change as economic fundamentals and market conditions change. Unless otherwise noted, information included is presented as of the dates indicated. This document contains information that may change at any time without notice. Stonebridge Capital Advisors does not have any responsibility to update the document to account for such changes.

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Investment Risks
All investing involves risks, including the possibility of a loss of principal. Investors should carefully consider investment objectives, risks, charges and expenses. The value, price, or income of investments or financial instruments can fall as well as rise and is not guaranteed. **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.

Certain information presented in this document may be “forward-looking” in nature. Due to various risks and uncertainties, actual events or results may differ materially from those reflected in such forward-looking statements. As such, undue reliance should not be placed on such forward-looking statements, which may be identified by the use of terminology including, but not limited to, “anticipate”, “believe”, “contend”, “continue”, “expect”, “estimate”, “forecast”, “project”, “should”, “target”, or the negatives thereof or other variations or comparable terminology.

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!

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