



STONEBRIDGE
Capital Advisors

MONTHLY MARKET COMMENTARY

AUGUST 2025 REVIEW

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

EQUITY REVIEW

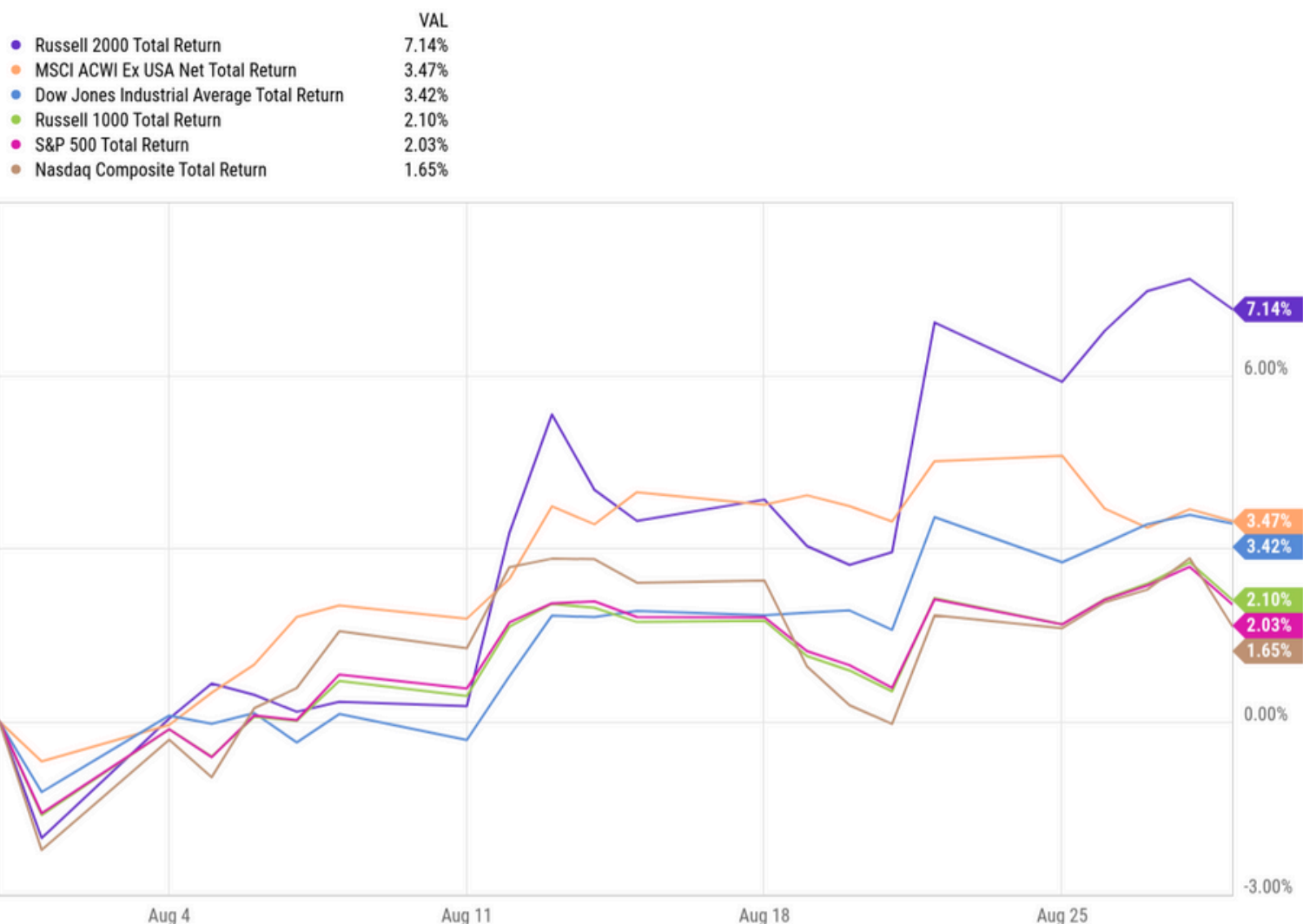
With Labor Day marking the unofficial end of summer, market rotation is showing signs of durability. August helped propel the S&P 500 to fresh highs and, importantly, breadth improved beyond the market leaders. The S&P 500 Equal Weight Index rose 2.69% versus 2.03% for the headline S&P 500. Using the Magnificent Seven as a proxy for mega-caps (up 1.98%), smaller companies outperformed: the Russell 2000 Index advanced 7.14%. Small caps have trailed the S&P 500 for much of the past decade, leaving room for continued mean reversion if fundamentals cooperate. Abroad, international equities gained traction with the MSCI EAFE Index posting 4.28% in August, bringing its year-to-date return to 23.36%. International markets have only outperformed U.S. equities in 3 of the last 15 calendar years, so 2025's strength suggests this rally may have legs.

The market continues to grapple with historically high concentration, with the top ten companies representing nearly 40% of total market cap (versus a more typical 20–30% range). Much of this has been driven by excitement around AI and while we share in the long-term optimism and are consistently impressed by the pace of innovation, history shows that even transformational technologies experience uneven paths as earnings catch up to expectations. For example, the internet ultimately reshaped the global economy far more than most anticipated 25 years ago, yet the Nasdaq Composite still fell roughly 78% from its 2000 peak and required many years to fully recover. We are not calling for a repeat of the dot-com era; rather, we're highlighting that leadership at extreme concentration warrants thoughtful position sizing.

Practically, that means aligning exposure to AI-related leaders with each client's risk tolerance. Investors can maintain participation in secular themes while calibrating position sizes so that a potential reset in earnings expectations would be manageable rather than portfolio-defining, as many tech-heavy portfolios experienced in the early 2000s. We continue to believe we are in the early innings of the AI cycle, but our north star remains our clients' objectives and risk parameters.

Looking ahead: September is often a softer month for equities, though last year bucked the pattern. If volatility returns, we expect it to create constructive rebalancing opportunities, adding to quality where prices become attractive and trimming winners where positions have grown beyond targets.





Date Range: 07/31/2025 - 08/29/2025

Past performance is not indicative of future returns. You cannot invest directly in an index.

Sep 2, 2025, 1:02 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

Interest rates continued to slide during the month, mostly on the shorter-end of the curve, reflecting the widespread anticipation of rate cuts by the Fed after September's meeting.

For those who have asked how we have been positioning portfolios ahead of rate cuts, we have spent the last several years moving our average maturity structure a bit further out to lock in higher rates for a longer duration. Any further drop in yield levels on the shorter-end should lead to positive pricing performance for bonds along that part of the curve. The most notable change for investors will be lower money market (cash) earnings. However, we have already seen those rates erode as the market priced in lower expectations.

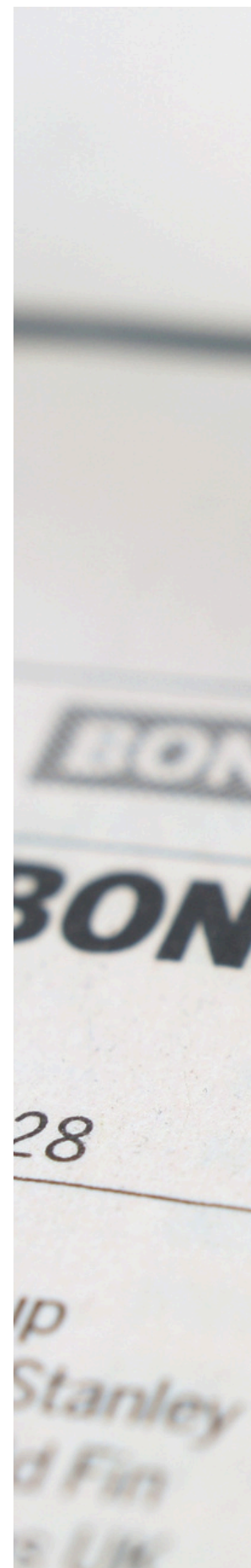
The long-end moves continue to be more influenced by inflation data and growing Treasury supply (expanding U.S. debt). As we have said before, should we see longer bond yields move higher, we would view that as an additional opportunity to lock in more attractive rates for future years. The efforts we have made in extending durations will make higher income streams more valuable to investors on any rate rallies.

That said, longer rates could continue to experience volatility until a clearer picture emerges on longer-term inflation trends due to tariffs, concerns about Fed independence, deficit driven Treasury supply, and any other list of economic uncertainties hanging out there.

“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

07/31/2025 - 08/29/2025

S&P 500:

6339.39 to 6460.26 (up 120.87)

Dow Jones:

44130.98 to 45544.88 (up 1413.90)

NASDAQ:

21122.45 to 21455.55 (up 333.10)

Key Market Moves

07/31/2025 - 08/29/2025

2-Year Treasury:

3.94% to 3.59% (down 35 bps)

10-Year Treasury:

4.37% to 4.23% (down 14 bps)

10-Year A-Rated Corporate:

5.09% to 4.98% (down 12 bps)

10-Year AAA-Rated Municipal:

3.32% to 3.22% (down 10 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

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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!

