



ALTAIR INSIGHT

Quarterly Market Review

Up in the Air July 2025

Second Quarter 2025
Key Topics

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1. Tariffs have been lucrative for the U.S., but an escalating trade war has unknown longer-term consequences.

2. The best story in markets this year has been the outperformance of international stocks, and it is about much more than a weakened dollar.

3. So far, so good, for the U.S. and global economies compared to dire post-tariff scenarios. But data are weakening and the full impact has yet to be felt.

4. The Fed cannot put off a rate cut much longer, even with the tariff picture incomplete.

5. The tax-and-spending act should provide a near-term economic boost along with meaningful business incentives.

Forward-looking statements may not come true. See disclosures at the end of document.



Bull markets in the U.S. and abroad have continued to move forward despite uncertainty and multiple challenges to juggle: steep new U.S. import tariffs, geopolitical conflicts, inflationary threats, slowing economic growth, government cutbacks and rising deficits.

Tumult and uncertainty? What tumult and uncertainty? That seems to have been the markets' mentality for months amid steep new U.S. tariffs, geopolitical conflicts, inflationary threats, slowing economic growth, government cutbacks and rising deficits all having been cast aside.

If you had asked anyone back in early April to predict how markets would respond to those risks, probably no one would have peered through the fog of a trade war and seen a roaring rally coming. Yet they rose and kept rising.

Initially plummeting 19% after President Trump's "Liberation Day" announcement of steep U.S. import tariffs, the S&P 500 not only bungeed back to an all-time high but did so in 89 days – a record-fast rebound for a drop of 15% or greater.

The recovery was fueled by the suspension of many tariffs but also by robust corporate earnings, the resilience of technology stocks, increased optimism about an interest-rate cut, and the surprising staying power of consumers and the job market. International stocks fared even better en route to beating their U.S. peers in the first half by one of the widest gaps in decades, fueled by a weaker U.S. dollar.

Much is up in the air besides markets. Many "reciprocal" tariffs that the president delayed for months have yet to be implemented. How much the tariffs will squeeze the U.S. and global economies is not yet known as companies hold off on price increases. Consumers are expressing more dissatisfaction than they have in years, based on surveys; will it finally result in a sharp cutback on purchases? Not so far, as retail sales powered higher in June. Geopolitical risks remain substantial despite the end of hostilities in the 12-day Israel-Iran war. The possibility of further retaliation from Iran for U.S. bombings, continuing friction in the Middle East, and Russia-NATO tensions surrounding the war in Ukraine all pose potential threats for markets.

These concerns may make for choppy markets the rest of the year. But there are fundamental reasons to back up the markets' rise. The economy is cooling but continues to expand without showing signs of major strain. Corporate profits in the U.S. and abroad will be tested by tariffs but earnings expectations remain benign. The "big, beautiful" megabill passed by Congress in early July should provide substantial stimulus.



With these tailwinds and a positive overall outlook in mind, we believe markets will rise further, albeit more slowly, in the remainder of the year. We plan no immediate changes to our recommended allocations, which include an overweight to U.S. stocks, and recommend that clients remain at target portfolio allocations in the higher-, medium- and lower-risk categories.

Allow us a moment to pay homage to two icons who have inspired us and whose recent departures made news. Soon-to-turn-95-year-old Warren Buffett is still on the job, but he announced during the quarter that he will retire at year-end as Berkshire Hathaway's CEO after 60 years at the helm. Not only is he among the greatest investors of all time, his annual letters to shareholders are the gold standard for investment commentary sprinkled with nuggets of folk philosophy. Some of his best-known wisdoms are mirrored in Altair's guiding principles, too: Build a strong reputation, invest in companies (or fund managers) with quality management, emphasize long-term holdings, never lose money (not necessarily in that order).

Another admirable figure whose creative genius we have long enjoyed is the late Brian Wilson, the Beach Boys leader and chief songwriter whose hits and California sound continue to give the world good vibrations at a time they are greatly needed. Our tribute to him has nothing to do with investing. But – and forgive us for this one – wouldn't it be nice to apply the title of a favorite Wilson song to Wall Street's outlook for the rest of the year? Either "Don't Worry Baby" or "God Only Knows" would be appropriate.

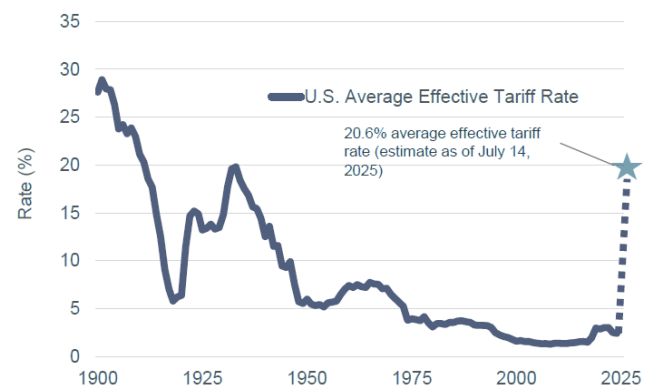
Please read on for our un-Buffettesque summertime commentary and quarterly discussion of market-related events in this eventful year.

1. Tariffs have been lucrative for the U.S., but an escalating trade war has unknown longer-term consequences.

The bottom line on tariffs has been overshadowed by the near-daily headline drama about postponed deadlines, reduced amounts and withdrawn threats: Stiff new levies have been locked into place as negotiations to add even more proceed. So far, tariffs have delivered significant revenue to U.S. coffers while producing only a muted effect on the economy. Over the longer term, however, we view ramped-up tariffs as a big gamble that carries unpredictable implications for the economy and markets.

One thing seems clear amid the frequent trade policy shifts that cloud the outlook for the rest of the year: Tariffs are substantial and they are not going away – they are going up. Any idea to the contrary was dispelled in early July when President Trump imposed higher tariff rates that included 50% on imports from Brazil and, as of August 1st, 30% on goods from the European Union and Mexico. The nation's average effective tariff rate on imported products has gone from 2.5% at the beginning of the year to 20.6% and rising as of July 14th – the highest since 1910, according to the Budget Lab at Yale University.

Tariff Rate Jumps Higher
1900-2025

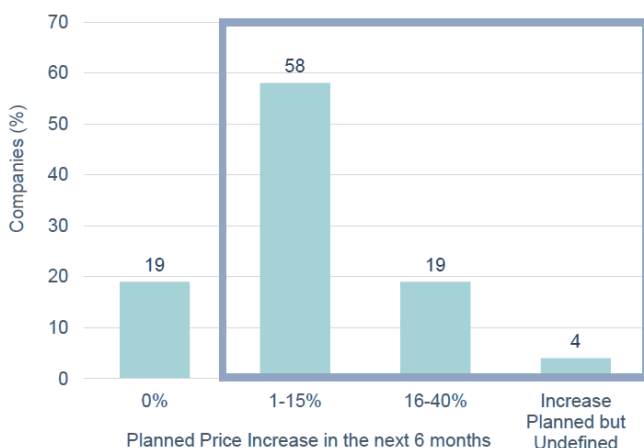




They are proving to be a boon for a government that needs to sustain them in order to pay for tax cuts and other priorities approved by Congress in the “One Big Beautiful Bill Act.” The U.S. took in \$48.4 billion in custom-duties revenues in May and June as Trump’s tariffs began to bite, dwarfing monthly totals from prior years and on pace to easily break prior records for a full year. It could collect well over \$300 billion by year-end, according to Treasury Secretary Scott Bessent.

The windfall is a dividend of Trump’s effort to rejuvenate U.S. production and correct trade imbalances. By imposing punitive amounts on other countries, the president has tapped a valuable source of new revenue. The economic toll it creates, however, is that U.S. consumers and businesses pay the tariffs as fees while importing foreign goods. If sustained at the current level, the tariff regime would translate to a 1.7% rise in consumer prices, costing the average household \$2,300 per year, per the nonpartisan Yale Lab. But that is a snapshot in a constantly evolving situation. A nationwide survey of companies by KPMG published in July found that “81% plan price increases in the next six months and 57% said their bottom lines were still taking a negative hit from tariffs. Many companies appear to be holding off until there is more clarity on “final” tariff amounts. Tariffs’ delayed impact is hard to project – as is the potentially reduced demand for goods.

Businesses Plan to Raise Prices
May 2025



The key is how hard and how long the self-dubbed Tariff Man pursues the trade war. We believe the president does not want to push tariffs so high that it causes serious economic pain. Even his White House role model in this category – “President McKinley made our country very rich through tariffs and through talent,” Trump said in his inaugural address in a reference to the man he called the “tariff king” – ultimately backed off. Clarity is needed. The first choice for most businesses is no tariffs, but a close second is certainty regarding tariffs. Without knowing what lies ahead, companies cannot plan their business strategies adequately and the economy’s course remains hazy.

2. The best story in markets this year has been the outperformance of international stocks, and it is about much more than a weakened dollar.

Our long-time advocacy of devoting a sizable portfolio allocation to international stocks has not always been enthusiastically received or easily defended. Foreign stocks, while logging positive returns in 10 of the past 15 years (six in double digits), have lagged their U.S. peers since a lengthy cycle of outperformance in the first decade of the 2000s. This year the performance has flipped. Even with U.S. stocks enjoying solid performance, the perennial runners-up from abroad are well out in front – and they have much more going for them than diversification and attractive valuations.

First-Half Boom for International Stocks
January 1, 2020 - June 30, 2025



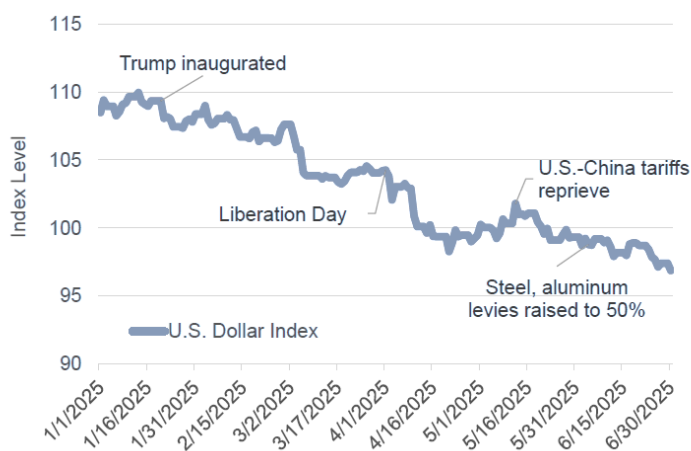
International Developed and U.S. are represented by the iShares MSCI EAFE ETF (EFA) and the iShares Core S&P 500 ETF (IVV), respectively.



In dollar terms, stocks in international developed markets beat U.S. stocks in the first half by the largest margin since 1993: a whopping 14.2 percentage points (20.3% to 6.1% as measured by benchmarks). The biggest catalyst, accounting for more than half the returns, was the weakening of the dollar relative to foreign currencies. The greenback's 11% decline made for its worst first half since 1973, when it was devalued by President Nixon during a period of global currency speculation and turmoil following the collapse of the Bretton Woods monetary system.

Trade Uncertainty Weighs on Dollar

January 1, 2025 - June 30, 2025



More on the implications of a weaker dollar in a minute. First, it is important to note that international stocks had an outstanding first half (+8.3% in local currencies) even without factoring in the dollar's dive. Stocks in Europe, which comprise 66% of the MSCI EAFE international benchmark, were lifted by accelerated military spending commitments by Germany and the European Commission to fill the gap left by a planned reduction in U.S. funding for NATO. Other tailwinds came from strong corporate earnings, accommodative monetary policy and increased infrastructure investments. European markets continue to be attractive, aided by economic momentum and still-favorable valuations.

Investors' confidence in the U.S. dollar has ebbed this year due to concerns about America's trade policy, inflation and rising government debt. Amid all the sudden twists and turns the year has brought so far, it is difficult to predict if its slide will continue. We believe it will probably remain range-bound following its historic plunge of the first half. It is unlikely to continue weakening at a once-in-a-half-century pace for the rest of the year. That is one reason that, while maintaining our target weighting to international stocks, we will not add and go overweight the target allocation.

We also do not expect this substantial weakening to hasten the dollar's loss of its status as the world's reserve currency any time soon – a question we receive from our clients periodically. Even diminished by its current slump, the dollar has scarcely lost its preeminence among global currencies. There are no ready replacements as reserve currency. In the words of economist Mohamed El-Erian: "The dollar is like your cleanest dirty shirt; you have to keep wearing it."

U.S. large-cap stocks have hardly been hurt by the dollar's drop – on the contrary, rising 10.8% in the second quarter and 6.1% over six months. (Small caps have not kept up and remain slightly negative for the year despite a strong second quarter.) In many cases the opposite has held true: Over 40% of S&P 500 companies' revenue is derived from overseas sales. The weaker dollar boosted their results by making American exports cheaper.

The resurgence of U.S. growth stocks and the Magnificent Seven in particular helped carry the S&P 500 all the way back from a 19% drop in April after Trump's Liberation Day. The Mag 7 – Alphabet, Amazon, Apple, Microsoft, Meta Platforms, Nvidia and Tesla – have rallied on the productivity improvement prospects of artificial intelligence, which promises to continue in the second half.



But beyond tech stocks' resurgence, one of the most encouraging developments of the market's steep climb back from its nadir in early April has been the broadening of the rally to include financials, industrials, utilities and other sectors. This bodes well for the bull market's continuation. Dealmaking also picked up after a long dry spell. The number of mergers and acquisition deals through six months was the highest in three years, portending what Wall Street anticipates will be a second-half boom.

Considerable challenges loom that are likely to make for choppy markets the rest of the year.

Tariffs will only increase, even if the administration continues to push back deadlines for other countries to avoid worst-case scenarios. Market valuations are high by historical standards. Economic growth is slowing, a trend that may accelerate once tariffs are fully priced into the marketplace.

However, we anticipate further market gains in the second half on the strength of a still-expanding economy and additional AI-led productivity improvements. We will be closely watching consumer spending and corporate earnings. As long as spending holds firm and companies deliver the profits that analysts expect, they should propel the market still higher. Valuations may be high but that does not portend a big drop in the market. We retain a tactical overweight to U.S. stocks.

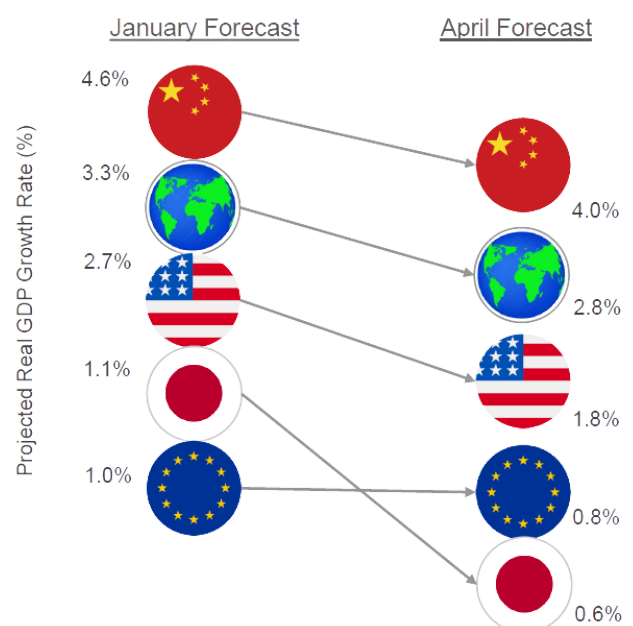
Bond-market volatility is likely to continue. Yields on intermediate- and long-term bonds remain above their historical norms, and the benchmark 10-year Treasury yield jumped higher with approval of more deficit spending in the One Big Beautiful Bill Act. But first-half bond returns were solid despite the turbulence and we do not anticipate the 10-year yield climbing significantly above its current 4.4%. (Bond prices fall when their yields rise.)

3. So far, so good, for the U.S. and global economies compared to dire post-tariff scenarios. But data are weakening and the full impact has yet to be felt.

We wrote in our last quarterly commentary that a U.S. recession was increasingly likely and that one even might have begun. Happily, the outlook is much more sanguine in July than it was three months ago. We view chances of a recession in 2025 as not insignificant but low, just as they were at the start of the year. However, serious questions remain about the economy softening in several areas.

The outlook improved once President Trump began suspending and reducing his initially sky-high new import tariffs, which alarmed investors and others about the adverse consequences for consumers, businesses and the global economy. Some companies revised their profit guidance sharply upward on the changed focus and on expectations of tariff-lowering deals. The economy has remained stable and mostly prosperous. After slightly negative growth in the first quarter, GDP (to be announced July 30th) is estimated by the Atlanta Fed to have increased by 2.4% in the second quarter.

GDP Growth Rates Lowered





Globally, there appears little likelihood of a recession in the world economy any time soon but the outlook is murky. The World Bank forecast the global economy to slow by half a percent from last year to 2.3% in 2025 amid the trade war on the way to what it says will be the weakest decade of growth since the 1960s.

Trump's renewed threat in July of much higher-than-expected tariffs on some countries has again heightened market concerns about the potential economic consequences. Given the president's penchant for following up tough talk with dealmaking, however, we are less concerned about the threat of sky-high tariffs than about those already locked in – and about warning signs the economy has been flashing in some areas:

Consumer pullback:

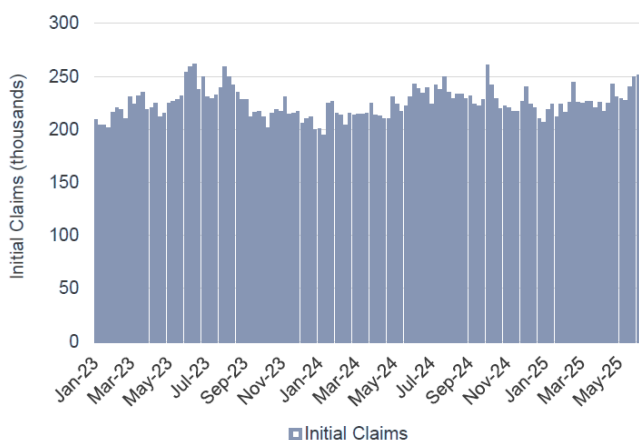
Consumers famously like to fret about prices – then soon head back to checkout with more purchases. As economic commentator Chris Giles wrote recently in the Financial Times, “We should not believe consumers who say they’ve got the blues.” Nonetheless, signs of changing behavior are emerging as the pressures from tariffs and a slowing economy build. Fatigue, caution or both were evident in recent months. Consumer spending in May declined by the most since the beginning of the year and household demand for services in particular sagged this spring after the weakest quarter for personal consumption since the start of the pandemic. New-home sales, too, fell by the most in three years. Retail sales are still expected to slow after what is thought to have been a temporary spree to get ahead of tariffs. But they actually moved higher in June.

Labor market cracks:

The number of people continuing to file for unemployment insurance has risen to the highest level since November 2021, evidence that slow hiring is making it difficult to find new jobs. Private-sector employment is slowing, too – falling unexpectedly in June for the first time in more than two years.

Still, the job market has shown more resilience than anticipated. There is little evidence of mass layoffs – first-time applications for jobless insurance remain low and so does the unemployment rate at 4.1%.

Initial Claims for Unemployment Stable
January 2023 - June 2025



....While Continuing Claims Rise
January 2023 - June 2025





Much remains to be determined, including the impact of the government's immigration crackdown on the labor force. Companies so far have only announced modest price increases this year. We are watching not only what they say during corporate earnings season but what they do afterward for the best sense of where the economy is going.

4. The Fed cannot put off a rate cut much longer, even with the tariff picture incomplete.

*"The waiting is the hardest part." – Tom Petty
("The Waiting")*

In a year of tumult and volatility, U.S. interest rates stand out as a rarity for remaining unchanged – even with inflation having crept closer toward the Federal Reserve's 2% objective. The seven-month pause has caused increasing impatience among President Trump, investors, and current and would-be homeowners frustrated by mortgage rates hovering not far from 7%.

Unchanged should not be confused with "nothing to see here," however; much is afoot under the surface that we believe will – and should – lead to multiple rate cuts beginning no later than the Fed's meeting in mid-September.

The case for cuts is strong if based purely on the latest data for inflation and the labor market. But the predicted second-half rise in inflation because of tariffs is causing the Fed to hold off.

Inflation

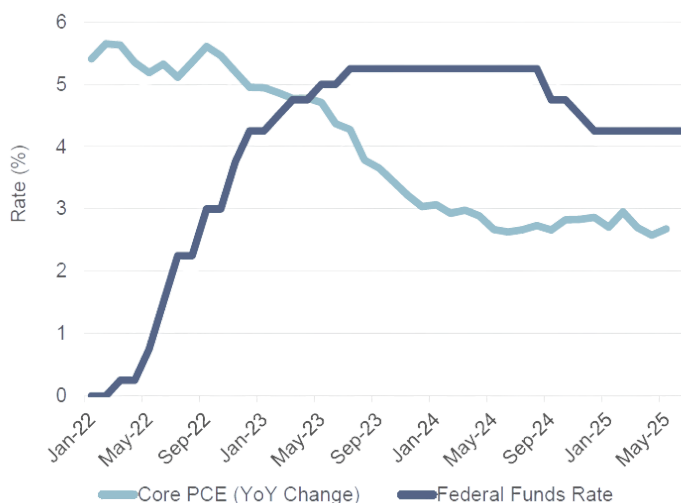
The Fed's inflation concern was partially realized with core consumer prices edging up to their highest level since February in June as tariffs appeared to filter increasingly into the economy. The core Consumer Price Index, which excludes the volatile food and energy categories, ticked up to 2.9% and headline consumer prices accelerated to 2.7% from 2.4%, still relatively modest but further from the 2% target. Prices rose for furniture, clothing and other tariff-sensitive items.

Employment

The job market, the other Fed policy focus, continues to be resilient despite pressure from slowing growth and employers' wariness about the likelihood of cutbacks under tariffs. An average of 150,000 jobs a month were added during the second quarter and unemployment dipped to a decade-low 4.1%. Beyond the headline numbers, data showed a shrinking labor force and stagnant wage growth. Aside from the pandemic year of 2020, the first six months of this year saw the slowest job growth since 2010. And employment at private companies fell for the first time in more than two years.

The Fed wants clearer evidence of a labor-market slowdown and clarity about tariffs' toll before lowering rates. Cutting would clearly be risky: Reducing borrowing costs can help keep a cooling economy growing but at the risk of igniting a new cycle of higher inflation. So we understand why the Fed is unlikely to reduce the benchmark rate from its current 4.25% at its July 29-30 meeting. But we believe waiting any longer than the September meeting would be too risky for a cooling economy.

Fed Favors Inflation Mandate
January 2022 - June 2025





Jerome Powell perhaps will not be informed of our views on this matter. But he can scarcely avoid learning of the president's, be it through private handwritten notes or blaring headlines. In recent weeks, Trump has called him out publicly as a “numbskull,” “a stupid person” and “hardheaded” and said he should resign immediately.

While Powell is resisting the pressure – “It’s just a question about being prudent and careful,” he said recently by way of explaining the rate pause – a threatened White House move to identify his successor by this fall would not only heap on more but pose a challenge to the central bank’s independence. Powell’s term as chair ends next May and we wish for a smooth hand-off then. Even if we sometimes disagree with the timing of Fed actions (or inaction) on his watch, we are convinced that the appointment of a “shadow” chair would be harmful to the integrity of the institution and markets.

5. The tax-and-spending act should provide a near-term economic boost along with meaningful business incentives.

Tax-cut provisions and heavy spending on defense and other items in the One Big Beautiful Bill that was signed into law on July 4th should serve as sugar to sweeten the U.S. economy. How much and for how long is a matter of debate among economists. But the legislation contains something for everyone, including critics.

The biggest plus is avoiding a looming tax increase. There was never much doubt that tax cuts due to expire at year-end would be extended and Congress would ultimately pass President Trump’s signature domestic policy bill. However, both the speed with which it passed and the additional billions in spending on infrastructure and other White House priorities were unexpected.

We are concerned about the long-term impact of increasing annual federal deficits by \$3.4 trillion between 2025 and 2034, based on an estimate by the Congressional Budget Office. This continues a dangerous habit of deficit spending under Republicans and Democrats alike. We agree with Pimco founder Bill Gross’ observation that “The government is like a teenager with a credit card that has no limits until it has to be paid.” In the near term, however, deficit spending is good for markets.

Policy	Change	Impact
Tax Rates	Retained 2017 Corporate and Individual Tax Cuts; increased standard deductions	Lower tax rates support economic activity and consumption
R&D, Capex, and Interest Expensing	Increased deductibility of R&D, Capex, and Interest expenses	Increased incentives for domestic corporate investment
SALT Deduction	Increased from 10K to 40K (subject to phaseouts)	Lower taxes may spur consumption
No Tax on Tips/Overtime	Workers can deduct up to \$25,000 in tip income and \$12,500 in overtime income	Gains in after-tax income for low/middle-class workers could spur consumption
Child Tax Credit	Increased from \$2K to \$2.2K	Gained income could spur consumption
Green Energy Incentives	Ended tax credits for EVs and residential clean energy projects	Negative for renewable energy industries



We also believe the new law will provide substantial economic stimulus and business incentives. The White House contends that corporate investment will surge due to new business deductions for research and development, among other measures, resulting in 4.6% to 4.9% in additional GDP growth over the next four years. That remains to be seen and may hinge on the extent to which tariffs serve as a drag on the economy. The boost also may take a few quarters to be evident in economic data. But the pro-business provisions coupled with coming interest-rate cuts can go a long way toward stemming the economy's slow decline.

Bond investors expressed their concern about the worsening of the deficit, pushing up Treasury bond yields. The benchmark 10-year note rose to 4.5% from 4.2% at the beginning of July. But we expect yields to remain roughly within their current range.

The act contains multiple provisions that may benefit our clients. A few highlights follow:

- **Tax rates:** Top federal income rates remain at 37% rather than reverting to 39.6%.
- **SALT deduction:** Cap increased from \$10,000 to \$40,000 through 2030 but begins to phase out and reverts back to \$10,000 with income over \$600,000.
- **Estate and gift tax exemption:** Increased to \$15 million per person.
- **Standard deduction:** Increased to \$15,750 for single filers and \$31,500 for married filing jointly. \$6,000 above-the-line deduction for taxpayers 65 and older.
- **Mortgage interest deduction:** Retains the deduction on interest on the first \$750,000 of mortgage debt. Cap increases to \$1 million in 2026 and interest on up to \$100,000 of home equity debt becomes deductible.
- **Charitable gifting:** Permanent deduction for individuals who do not itemize on up to \$1,000 for single and \$2,000 for married joint filers starting in 2026.
- **Trump Savings Accounts:** Automatic \$1,000 deposited for every child born from 2025-28.

Our engagement teams will help you capitalize on these and other opportunities and our financial planning department will be sending additional communications under separate cover.



Our Outlook

- Markets are likely to be choppy but still positive in the second half amid concerns about tariffs boosting inflation and slowing growth. More clarity on U.S. trade policy and a resolution of trade stand-offs would energize investors and fuel further gains.
- Diversification will continue to be important for investors amid continuing uncertainty about the trade war, inflation, rate cuts and the dollar. International stocks' outlook remains positive due to strengthened company earnings, increased spending and the weak dollar.
- The U.S. economy will come under more pressure from tariffs in the months ahead. With corporate profits remaining positive and the labor market holding fairly steady, we believe the risk of a recession is relatively low.
- The Federal Reserve appears poised to end its long pause in reducing interest rates at its September meeting after keeping the rate unchanged at 4.25% all year. We expect two quarter-point rate cuts by year-end, which would lower the benchmark lending rate below 4% for the first time since 2022.
- Inflation will rise over the months ahead, climbing back above 3% as companies increasingly pass on the cost of tariffs to consumers. We expect the trend to be relatively short-lived, with inflation easing next year as interest rates drop.

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Quotes of the Quarter



“The world economy today is once more running into turbulence.”

Indermit Gill
World Bank Chief Economist

“Rest assured, tariffs are not going away.”

Howard Lutnick
U.S. Commerce Secretary



“After this (One Big Beautiful Bill) kicks in, our country is going to be a rocket ship economically.”

President Donald Trump

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Market Data

U.S Stocks

President Trump's trade war moved stocks dramatically in both directions in the second quarter. The stock market lurched from a gut-wrenching plunge in early April following the "Liberation Day" tariffs announcement to a huge rally that lasted through midyear. The end result was the largest quarterly percentage gain since the fourth quarter of 2023 – coming on the heels of the index's worst showing since 2022. The iShares S&P 500 ETF soared 10.8% in the quarter to reach the year's halfway point up 6.1%.

The Magnificent Seven technology stocks rebounded from a poor first quarter to lead the recovery as tech paced all S&P sectors with a 23% rise. The market rally was significantly broad, however. Industrials, communication services and consumer discretionary also notched double-digit gains, and only energy (-8.5%) and health care (-7.2%) had sizable declines. Small caps had a similarly impressive quarter but remained negative for the year. The iShares Russell 2000 ETF added 8.5% in the quarter for a -1.9% return in 2025. Growth stocks dominated, outperforming their value peers by roughly 11, 13 and 7 percentage points at the large-, mid- and small-cap capitalization levels, respectively. Still, growth and value stocks arrived at midyear with nearly identical (5.9% and 5.8%) returns for 2025 at the large-cap level.

International Stocks

International stocks rode a drop in the dollar and an improved outlook to a second straight banner quarter. The U.S. announcement of stiff tariffs on foreign imports caused many investors to shift toward overseas assets at least temporarily and helped push the dollar down 7% in the quarter and 11% for the year. The iShares MSCI EAFE ETF, which tracks stocks in developed markets outside the U.S. and Canada, surged 11.3% for a return of 20.3% through six months.

The greenback's plunge accounted for about three-fifths of the gains in dollar-denominated overseas investments; before conversion to the weaker dollar, the increase was a more modest 5.1% for the quarter and 8.3% for the first half in local currencies. But the outperformance was also attributable to Europe's stepped-up defense spending commitments, led by Germany. The iShares MSCI Emerging Markets ETF, also benefiting from the dollar difference, jumped 11.5% to push its 2025 gain to 16.5%. South Korea's market was the standout performer, climbing 30% in the first half on hopes for shareholder-friendly reforms under a new president.

Real Estate

In a turnaround from the prior quarter, real estate investment trusts lagged well behind the broader markets as elevated longer-term interest rates weighed on prices. The Vanguard Real Estate Index Fund dipped 0.7%, reaching midyear with a 1.9% gain that reflected investor concern about the near-term prospects for interest-rate-sensitive REITs. The best performers were more defensive REIT sectors, such as cell towers, health care and net lease properties. Cyclical sectors continued to lag, although office REITs gained back some of their first-quarter downturn.

Hedged/Opportunistic

Investments in publicly traded senior bank loans as benchmarked by the Invesco Senior Bank Loan ETF returned 3.0%. That lifted the category into positive territory for the year at 2.9% following a narrow loss in the first quarter – its first since 2022. Private credit managers continue to benefit from the higher yields of private loans with largely variable interest rates.

**Fixed Income**

Bonds logged modest gains in the quarter after first retreating when yields climbed as a result of mounting deficit concerns and tariff uncertainty. Ultimately, prices rose when the benchmark 10-year Treasury note yield declined from 4.6% in May to 4.2% by quarter-end. (Bond prices move inversely to their yields.) The Vanguard Total Bond Market ETF, which measures the performance of a wide spectrum of investment-grade taxable U.S. bonds, added 1.2% for a 4.0% year-to-date return. Tax-exempt municipal bonds underperformed in the first half, largely because of higher muni issuances and investor concerns that munis' tax-exempt status could be removed by Congress. (It was not.) Altair's benchmark for municipal bonds, a blend of the Market Vectors short and intermediate ETFs, was up 1.2% in the quarter and 1.3% in 2025.



Investable Benchmark Returns through June 30, 2025

			Annualized			
	Quarter (%)	Year-to- Date (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Large Cap Equity						
iShares S&P 500 ETF	10.8	6.1	15.0	19.7	16.6	13.6
iShares Russell 1000 Growth ETF	17.7	5.9	17.0	25.5	17.9	16.8
iShares Russell 1000 Value ETF	3.7	5.8	13.5	12.3	13.6	8.9
Small Cap Equity						
iShares Russell 2000 ETF	8.5	-1.9	7.6	9.9	9.9	7.1
iShares Russell 2000 Growth ETF	12.0	-0.4	9.8	12.4	7.4	7.1
iShares Russell 2000 Value ETF	5.0	-3.2	5.5	7.2	12.2	6.5
International Equity						
iShares MSCI ACWI ex US ETF	11.5	18.5	18.1	13.7	10.1	6.2
iShares MSCI EAFE ETF	11.3	20.3	17.8	15.9	11.3	6.7
MSCI EAFE Index - in local ¹	5.1	8.3	8.6	14.1	12.2	7.6
Vanguard FTSE Europe ETF	12.0	24.4	19.8	17.4	12.6	7.2
Vanguard FTSE Pacific ETF	13.7	16.6	14.3	12.2	8.3	6.0
iShares MSCI Emerging Mkts ETF	11.5	16.5	16.3	9.1	6.2	4.4
Fixed Income						
Market Vectors Sh/Inter Muni ETF	1.2	1.3	3.4	2.4	0.6	1.7
Barclays 5 Yr Muni Index ¹	1.3	2.3	4.3	2.7	0.9	1.8
SPDR Nuveen Barclays Muni Bond	-0.1	-0.8	0.7	1.8	-0.6	1.7
Vanguard Total Bond Market ETF	1.2	4.0	6.1	2.6	-0.8	1.7
GI FixedInc Investable Benchmark	5.3	8.1	9.5	2.9	-1.6	0.9
iShares BarclaysInt Govt/Credit	1.6	3.9	6.5	3.4	0.4	1.8
Alternative						
SPDR Barclays High Yield Bond	3.8	4.8	10.3	9.3	5.1	4.2
Vanguard REIT Index Fund	-0.7	1.9	10.3	3.5	6.5	5.9
Vanguard GI Ex-US Real Estate	13.8	16.8	19.6	4.7	3.0	2.2
HFRX Global Index	1.7	2.2	4.6	3.8	3.5	2.1
Invesco Senior Loan ETF	3.0	2.9	7.6	9.4	5.8	3.9
iPath Bloomberg Commodity ETN	-3.8	5.9	6.0	-0.8	14.1	1.6
CEF Blended Benchmark ¹	5.6	7.0	13.6	10.5	8.8	6.3
Other Common Benchmarks						
SPDR Dow Jones Industrial Avg	5.3	4.4	14.4	14.7	13.3	11.9
Fidelity Nasdaq Comp. ETF	17.9	5.6	15.3	23.9	16.3	16.2
iShares MSCI ACWI ETF	11.3	10.3	16.3	17.3	13.7	10.3
SPDR Barclays 1-3 Month T-Bill	1.0	2.1	4.6	4.5	2.7	1.8
Inflation - CPI ¹	0.9	2.2	2.7	2.9	4.6	3.1

¹There is no investable equivalent for this index

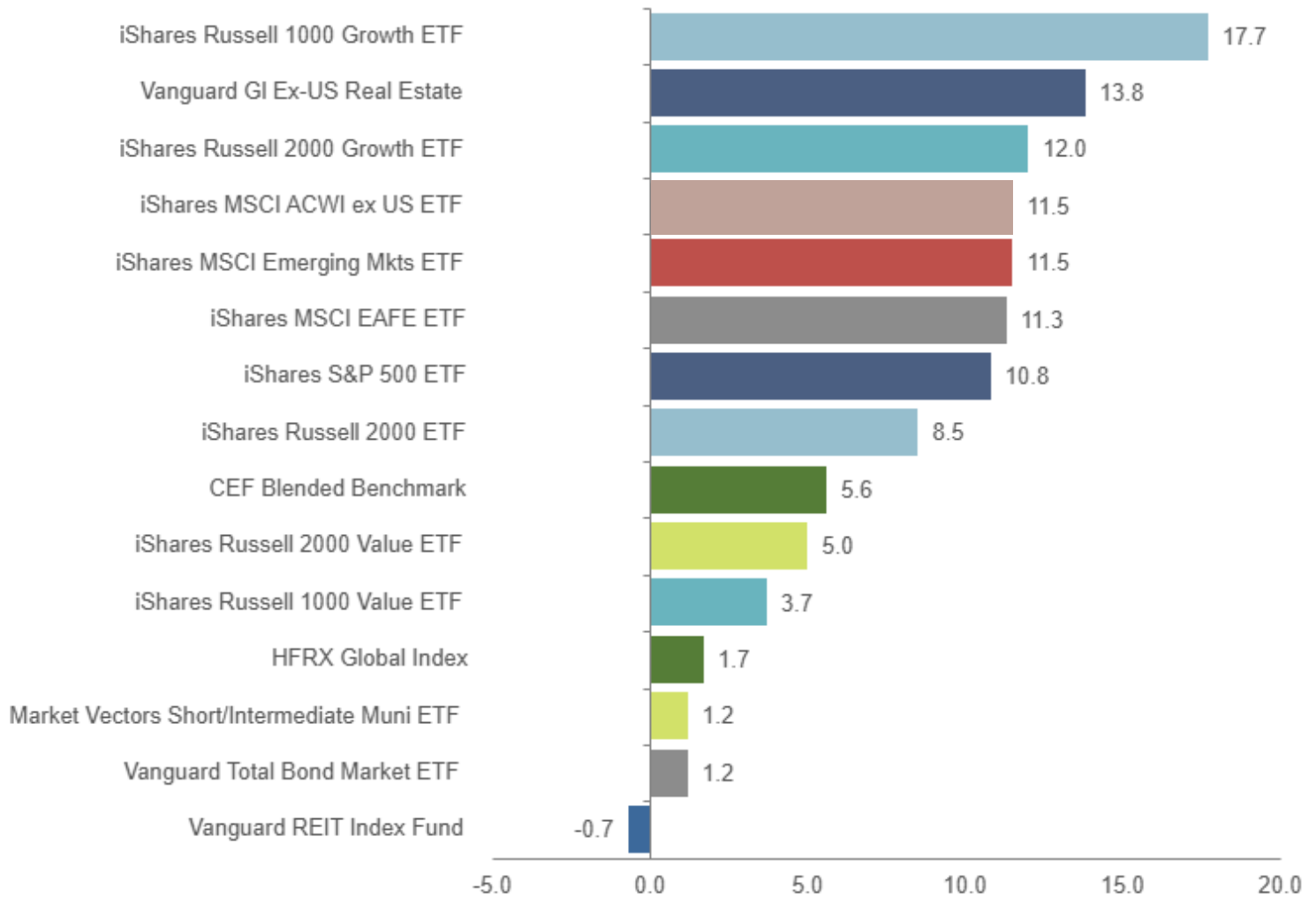
Source: Financial Times Interactive Data (IDC) and Charles Schwab.

This table was prepared using investment performance and other information obtained from third-party sources, which we believe to be reliable; however, we have not audited the data from these sources and are not responsible for its accuracy.

Past performance is no guarantee of future results.



2nd Quarter 2025 Market Returns





Disclosures

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The Closed-End Fund Blended Benchmark consists of 60% First Trust Equity Closed-End Fund TR USD Index, 20% Invesco CEF Income Composite ETF, and 20% VanEck Vectors CEF Municipal Income ETF.

The Securitized Credit Benchmark consists of 65% iShares MBS ETF and 35% iShares iBoxx \$ High Yield Corporate Bond ETF.

The U.S. Municipal Bonds Benchmark consists of 65% VanEck Short Muni ETF and 35% VanEck Intermediate Muni ETF.

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