Market Commentary | June 2025

# Benchmark Review & Monthly Recap

## *Stocks Rallied to New Highs in June; Bonds Gained as Well*

## Equity Markets

See Table 1 for June 2025, Q2 2025 and YTD results.

Table 1 | Equity Markets

| Index | June 2025 | Q2 2025 | YTD |
|---|---|---|---|
| S&P 500 | 5.09% | 10.94% | 6.20% |
| S&P 500 Equal Weight | 3.43% | 5.46% | 4.82% |
| DJIA | 4.47% | 5.46% | 4.55% |
| Russell 3000 | 5.08% | 10.99% | 5.75% |
| NASDAQ Comp. | 6.64% | 17.96% | 5.85% |
| Russell 2000 | 5.44% | 8.50% | -1.79% |
| MSCI ACWI ex U.S. | 3.39% | 12.03% | 17.90% |
| MSCI Emerging Mkts Net | 6.01% | 11.99% | 15.27% |

*Source: Morningstar. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.*

The May rally continued in June as the S&P 500 and Nasdaq Composite reached new all-time highs to close out the month. After struggling in the first quarter, large-cap growth stocks reminded investors of their strength over recent years with the Nasdaq Composite showing the best results for the month and the second quarter. Value stocks had led early in the year, but growth has clearly bounced back. Interestingly, six months into 2025, the Russell 1000 Value and Russell 1000 Growth Indices are separated by a mere nine basis points for the year to date with returns of 6.00% and 6.09%, respectively. Year to date, international stocks have been the clear winner after years of underperforming U.S. markets. However, the last quarter saw a strong rally for both U.S. and international stocks. The one clear laggard in 2025 is small caps, which are negative year to date.

## Fixed Income

After generally fighting rising rates in May, fixed income had some relief in June as rates moved lower. See Table 2 for bond index returns for June 2025, Q2 2025 and YTD.

### Highlights

- **Stocks:** Less than three months after "liberation day" when announced tariffs rattled global markets, the S&P 500 hit a new all-time high by the end of June.
- **Bonds:** Yields calmed down in June, as well, and the 10-year U.S. Treasury yield fell to 4.24% by month's end. The 30-year U.S. Treasury yield broke above 5% in late May, and it too moved lower through June, settling near 4.78%.
- **U.S. Economy:** The fog of tariffs has caused uncertainty about U.S. growth prospects. We at Clark Capital lowered our expected GDP growth rate for all of 2025 to 1.5% in our mid-year market outlook. However, to this point, hard data has continued to show a resilient economy despite weaker soft data.
- **Federal Reserve:** Midway through 2025, the Fed has not changed policy rates this year. The Fed is taking a wait-and-see attitude regarding tariff uncertainty and changing its policy stance. However, the market is now expecting about three rate cuts to occur over the final four FOMC meetings of 2025. (Per CME FedWatch tool as of June 30, 2025.)

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Table 2 | Fixed Income Markets

| Index | June 2025 | Q2 2025 | YTD |
|---|---|---|---|
| Bloomberg U.S. Agg | 1.54% | 1.21% | 4.02% |
| Bloomberg U.S. Credit | 1.83% | 1.82% | 4.22% |
| Bloomberg U.S. High Yld | 1.84% | 3.53% | 4.57% |
| Bloomberg Muni | 0.62% | -0.12% | -0.35% |
| Bloomberg 30-year U.S. TSY | 2.44% | -2.08% | 2.11% |
| Bloomberg U.S. TSY | 1.25% | 0.85% | 3.79% |

*Source: Morningstar. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.*

The 10-year U.S. Treasury yield moved higher in early June, closing June 6 at 4.51%, but rates fell from that level for the balance of the month. By the end of June, the 10-year yield closed at 4.24%, creating a solid backdrop for fixed income returns. Our expectation of a volatile rate environment has materialized so far in 2025 with the recent pressure on rates moving lower. June was a solid month across the board for bonds, which helped offset what had been a challenging second quarter for fixed income. Munis have been the laggard so far this year and are the only category of bonds with negative results halfway through 2025. However, outside of munis, bonds have done their job with solid gains through June and have helped offset some of the equity market volatility that has been experienced at times this year.

We maintain our long-standing position favoring credit versus pure rate exposure in this interest rate environment. We also believe the role bonds play in a portfolio, to provide stable cash flow and to help offset the volatility of stocks in the long run, has not changed. The volatility seen in bonds provides opportunities for active bond managers, and, in our opinion, having an active bond management approach makes sense in this environment. Furthermore, rates remain elevated and provide attractive opportunities for bond investors.

## Economic Data Highlights and Outlook

**Jobs:** Sounding a bit like a broken record, the job market continues to show resilience. (This is a broken record we like!) Non-farm payrolls increased by 139,000 in May, once again surpassing expectations of 126,000. However, April was revised to show 30,000 fewer additions than previously reported. The unemployment rate has not budged in recent months, remaining at 4.2%, as expected. After recent drops, job openings surpassed expectations in April with just under 7.4 million openings reported compared to expectations of 7.1 million. More impressively, job openings jumped higher again in May with 7.769 million openings, easily surpassing expectations of 7.3 million and April's level. Hiring and job openings have slowed in recent years, but job openings have shown resilience in the last couple of months as businesses are still looking to hire. Business caution facing tariff uncertainties is understandable, but the modest slow down in hiring has allowed the economic engine of consumer spending to keep running. Due to the central role of consumers in the U.S. economy, we will continue to monitor job market data. Chart 1 shows the unemployment level, the number of job openings and the unemployment rate (dotted line, right scale). Unemployment has moved up over the last couple of years from unsustainably low levels, but the job market seems to be getting more balanced following the post-pandemic era.

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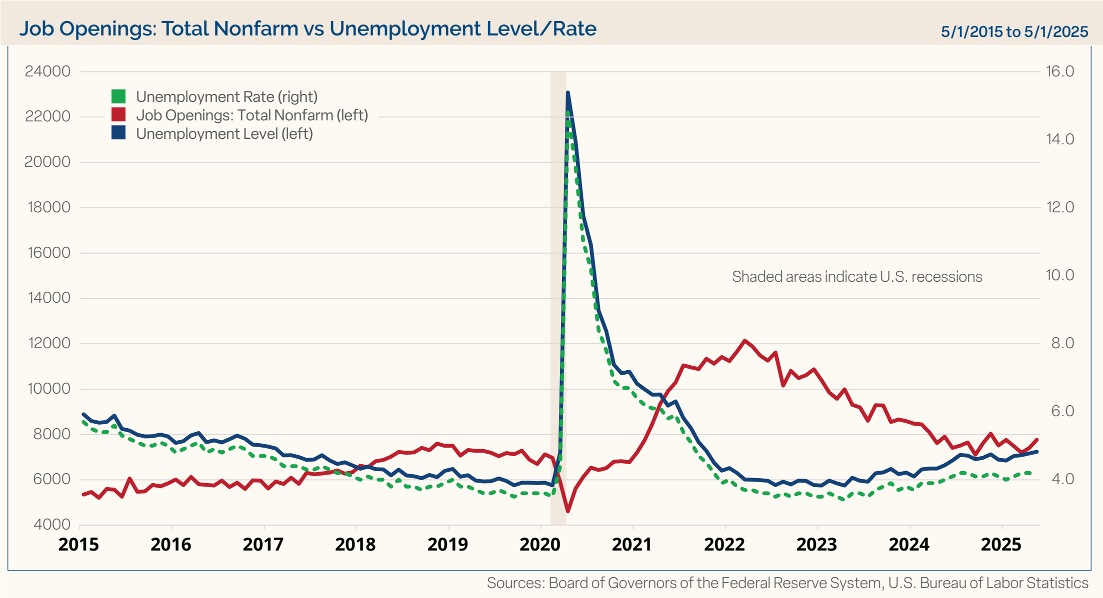
Chart 1

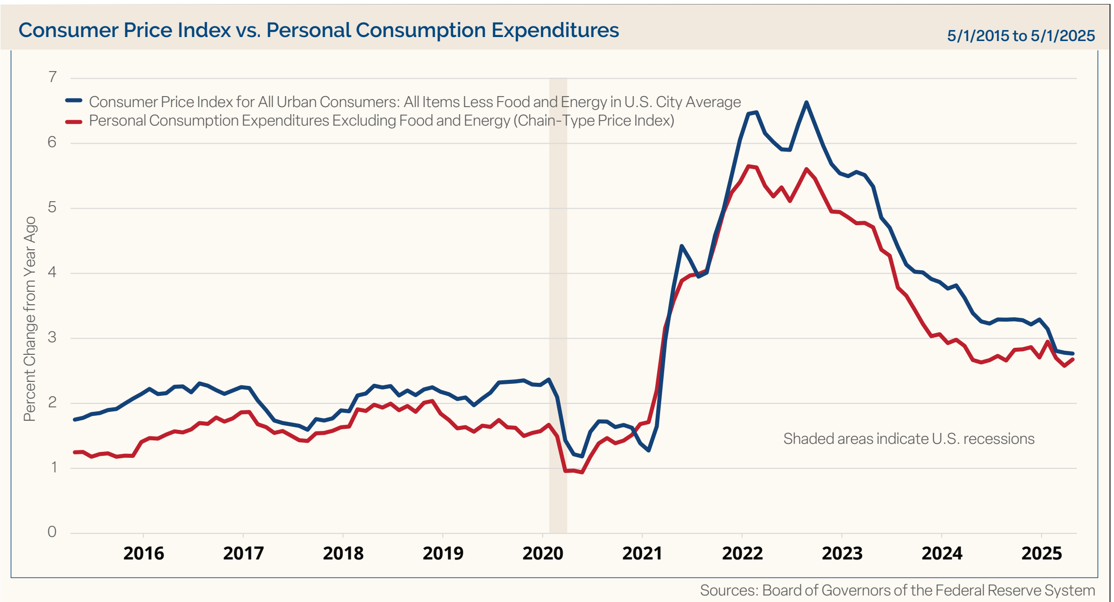



*For illustrative purposes only. Past performance is not indicative of future results.*

**Inflation:** Concern around inflation rising due to tariffs has not materialized yet. The Consumer Price Index (CPI) (both core and headline) rose 0.1% in May, and both were better than (below) expectations. The year-over-year headline reading was 2.4%, as expected. The core CPI rose 2.8% on an annual basis, lower than the 2.9% expectation. The Personal Consumption Expenditures (PCE) Price Index rose by 0.1% on a headline basis for the month and 2.3% on an annual basis, as expected. The core PCE, the Fed's preferred measure of inflation, was higher than expected for both the month (0.2% v. 0.1%) and the year (2.7% v. 2.6%). The monthly reading of the Producer Price Index (PPI) was lower on a headline and core basis, and the annual increases were in-line for the headline number and better than expected for the core. (For more specific inflation data, please refer to the end of this report.) Oil prices were volatile in June with the conflict developing between Israel and Iran and the subsequent U.S. bombing of nuclear targets in Iran. After ending May just above $60 per barrel, West Texas Intermediate crude oil jumped to over $75 per barrel by mid-June. However, as the crisis appeared to be contained in the shorter term, oil prices fell to around $65 by month's end. This price swing helps make it understandable why the Fed focuses on core inflation readings to set policy rates, which excludes volatile food and energy prices.

Overall, we believe inflation continues to make progress toward the Fed's stated goal of around 2% for the core PCE price index reading. We expect this path to be bumpy, and tariff concerns have increased inflation fears, but we will wait to see if a real change develops regarding pricing data. Chart 2 shows the core CPI and core PCE price indices and the recent improvements in those levels.

Chart 2




*For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.*

**GDP:** The final reading of Q1 2025 fell more than expected to a -0.5% annualized rate from the -0.2% expectation and prior reading. Somewhat concerning was the steep revision to personal consumption from an already weak 1.2% annualized growth rate to a mere 0.5% annualized rate in this final reading. The first estimate of GDP had originally reported a 1.8% personal consumption number, so it has continued to be revised lower, and it compares poorly to a solid 4% annualized personal consumption rate from Q4 2024. We will monitor consumer spending data in the months ahead to stay on top of consumer health. Historically, it takes a lot to knock down U.S. consumers, and spending tends to be resilient. Overall, the negative Q1 2025 GDP reading was not too concerning in and of itself understanding the huge spike in imports during the quarter hurt the overall GDP number as it is a "domestic" measure. Businesses stockpiled inventories ahead of anticipated changes in tariff policy in Q1. We expect this will turn out to be an anomalous GDP reading, and the current Atlanta Fed GDP Now estimate shows expected Q2 2025 to come in at a 2.9% annualized pace (as of June 30, 2025). Although we at Clark Capital lowered our GDP expectation for 2025 to 1.5%, we still stand firmly in the camp of expecting economic growth this year, and we believe a recession is a lower probability event. Chart 3 shows GDP readings in recent quarters, the negative impact of net exports on those readings and how that was exacerbated in Q1 of this year.

**Consumer Confidence:** One economic data point that was heavily impacted by the tariff discussions and resulting economic uncertainty was consumer confidence. Consumers were clearly saying they lost confidence as tariffs were driving headlines. However, some of those readings have turned around. Ongoing strength in the job market and softer rhetoric on the tariff front have likely aided these improved readings. (Not to mention stocks continuing to rise to new highs.) The University of Michigan consumer sentiment reading had fallen dramatically in recent months hitting a level of 52.2 in April and May – a level rarely seen by this measure in its history and only seen lower in recent years for a couple of months during the pandemic. It did bounce back nicely to 60.7 in its final reading for June. It is important to watch what consumers "say" in confidence surveys, however, we are more concerned with what consumers "do." Initially, it seems like the hard data did not follow the soft data lower, and now the soft data has started to improve.

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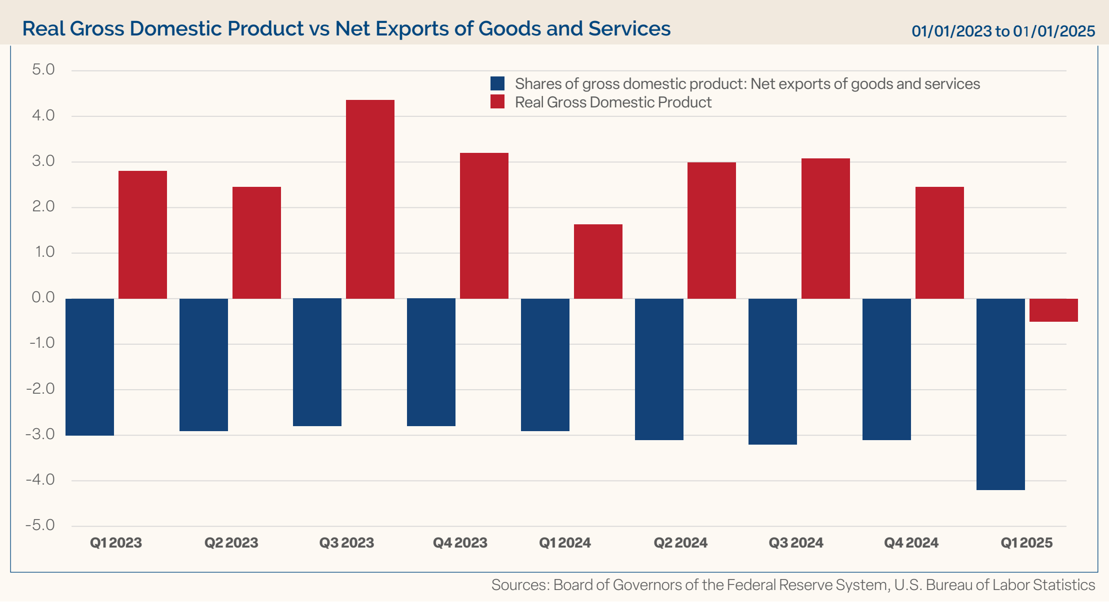
Chart 3

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**Other Economic Data Points:** The ISM Manufacturing Index fell again in May, dropping to 48.5 missing expectations of 49.5 and putting in another new low for 2025. The June reading improved modestly to 49.0, which was better than expectations of 48.8 and broke the streak of declining readings experienced this year. It did, however, remain below 50. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, fell unexpectedly as well in May to 49.9. This was below expectations of 52 and the prior reading of 51.6 and put this reading below 50 for the first time since June 2024. (Current estimates are showing this index bouncing back above 50 when the reading for June is released later this month.) The slowing manufacturing and non-manufacturing activity that has developed recently is another likely side effect of tariff uncertainty. Recall, ISM readings above 50 reflect expansion, and those below 50 indicate contraction.

Housing data for May remained under pressure as interest rates moved up in the middle part of that month. The 10-year U.S. Treasury hit its highest level in May since early February and housing activity largely slowed. Housing starts, building permits, and new home sales all declined in May and were lower than expected. Existing home sales was the only housing reading that beat expectations and improved from April's mark. The leading economic indicators index fell by -0.1% in May as expected, but the reading for April was revised from a -1.0% monthly drop to a -1.4% decline. Retail sales (ex auto and gas) fell by -0.1% when they were expected to increase by 0.3%.

Markets have proved resilient since the tariff selloff lows. Although few trade agreements have been made, the approach seems to have ameliorated concerns as negotiations continued between the U.S. and many other countries. The 90-day pause window will lapse in early July, so tariff talk and volatility might develop, but some of the worst-case scenarios regarding tariffs seem unlikely at this point. The first half of 2025 was certainly choppy, but we sit here today with the S&P 500 at a new all-time high and positive stock market gains so far this year. Volatility came back in the first part of 2025, and while not welcome, it was understandable following two years of solid stock market returns and a new administration getting up and running. Volatility is a normal part of participating in the equity markets. Bonds, for the most part, have done their job in 2025 by helping to offset a choppy stock market and providing solid gains (outside of munis) year to date. We believe the economy will grow in 2025, but at a more subdued pace than we thought to begin the year. The Fed looks poised to resume rate cuts later this year, although the timing and amount of cuts are still up for debate. Stock valuations have crept higher while earnings estimates have declined, but neither to an alarming level. We still see opportunities in the stock

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market during the second half of 2025. As always, we believe it is imperative for investors to stay focused on their long-term goals and not let short-term swings in the market derail them from their longer-term objectives.

## Economic Data

| Event | Period | Estimate | Actual | Prior | Revised |
|---|---|---|---|---|---|
| ISM Manufacturing | May | 49.5 | 48.5 | 48.7 | — |
| ISM Services Index | May | 52.0 | 49.9 | 51.6 | — |
| Change in Nonfarm Payrolls | May | 126k | 139k | 177k | 147k |
| Unemployment Rate | May | 4.2% | 4.2% | 4.2% | — |
| Average Hourly Earnings YoY | May | 3.7% | 3.9% | 3.8% | 3.9% |
| JOLTS Job Openings | May | 7300k | 7769k | 7391k | 7395k |
| PPI Final Demand MoM | May | 0.2% | 0.1% | -0.5% | -0.2% |
| PPI Final Demand YoY | May | 2.6% | 2.6% | 2.4% | 2.5% |
| PPI Ex Food and Energy MoM | May | 0.3% | 0.1% | -0.4% | -0.2% |
| PPI Ex Food and Energy YoY | May | 3.1% | 3.0% | 3.1% | 3.2% |
| CPI MoM | May | 0.2% | 0.1% | 0.2% | — |
| CPI YoY | May | 2.4% | 2.4% | 2.3% | — |
| CPI Ex Food and Energy MoM | May | 0.3% | 0.1% | 0.2% | — |
| CPI Ex Food and Energy YoY | May | 2.9% | 2.8% | 2.8% | — |
| Retail Sales Ex Auto and Gas | May | 0.3% | -0.1% | 0.2% | 0.1% |
| Industrial Production MoM | May | 0.0% | -0.2% | 0.0% | 0.1% |
| Building Permits | May P | 1422k | 1393k | 1422k | -- |
| Housing Starts | May | 1350k | 1256k | 1361k | 1392k |
| New Home Sales | May | 693k | 623k | 743k | 722k |
| Existing Home Sales | May | 3.95m | 4.03m | 4.00m | — |
| Leading Index | May | -0.1% | -0.1% | -1.0% | -1.4% |
| Durable Goods Orders | May P | 8.5% | 16.4% | -6.3% | -6.6% |
| GDP Annualized QoQ | 1Q T | -0.2% | -0.5% | -0.2% | — |
| Personal Income | May | 0.3% | -0.4% | 0.8% | 0.7% |
| Personal Spending | May | 0.1% | -0.1% | 0.2% | — |
| S&P CoreLogic CS 20-City YoY NSA | Apr | 3.90% | 3.42% | 4.07% | 4.08% |

*Source: Bloomberg; P=Preliminary, T=Thirdly*

*For illustrative purposes only. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only projections and actual events or results may differ materially.*

## Disclosures

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The manager utilizes a proprietary investment model to assist with the construction of the strategy and to assist the manager with making investment decisions. Investments selected using this process may perform differently than expected as a result of the factors used in the model, the weight placed on each factor, and changes from the factors' historical trends. There is no guarantee that Clark Capital's use of a model will result in effective investment decisions.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

The value of investments, and the income from them, can go down as well as up and you may get back less than the amount invested.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to adverse market, economic, regulatory, political, or other developments affecting those sectors.

JOLTS is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment.

The Core Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Core Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight or 0.2% of the index total at each quarterly rebalance.

The University of Michigan Consumer Sentiment Index rates the relative level of current and future economic conditions. There are two versions of this data released two weeks apart, preliminary and revised. The preliminary data tends to have a greater impact. The reading is compiled from a survey of around 500 consumers.

The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

The Russell 2000 Index is a small-cap stock market index that represents the bottom 2,000 stocks in the Russell 3000.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell 1000 Growth Index tracks companies with higher price-to-book ratios, higher sales per share growth, and higher I/B/E/S forecast growth.

Russell 1000 Value Index tracks companies with lower price-to-book ratios and lower expected and historical growth rates. Russell's value indexes focus more on dividend yield.

Nonfarm payrolls (NFPs) are the measure of the number of workers in the United States excluding farm workers and workers in a handful of other job classifications.

A municipal bond, commonly known as a muni, is a bond issued by state or local governments, or entities they create such as authorities and special districts.

The CBOE Volatility Index (VIX) is a real-time index that measures the expected volatility of the S&P 500 over the next 30 days.

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The 30 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 30 years.

The Bloomberg Barclays U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar denominated, fixed-rate taxable corporate and government related bond markets.

The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

The Bloomberg US Trsy Bellwethers 30Y is a U.S. Treasury debt obligation that has a maturity of 30 years.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-

Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

ISM Manufacturing Index measures manufacturing activity based on a monthly survey, conducted by Institute for Supply Management (ISM), of purchasing managers at more than 300 manufacturing firms.

The MSCI Emerging Markets Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries*. With 2,359 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index seeks to measures the value of residential real estate in 20 major U.S. metropolitan areas. The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

In the United States, the Core Personal Consumption Expenditure Price (CPE) Index provides a measure of the prices paid by people for domestic purchases of goods and services, excluding the prices of food and energy.

The Conference Board's Leading Indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.