

# ECONOMIC AND MARKET REVIEW

FIRST QUARTER 2025



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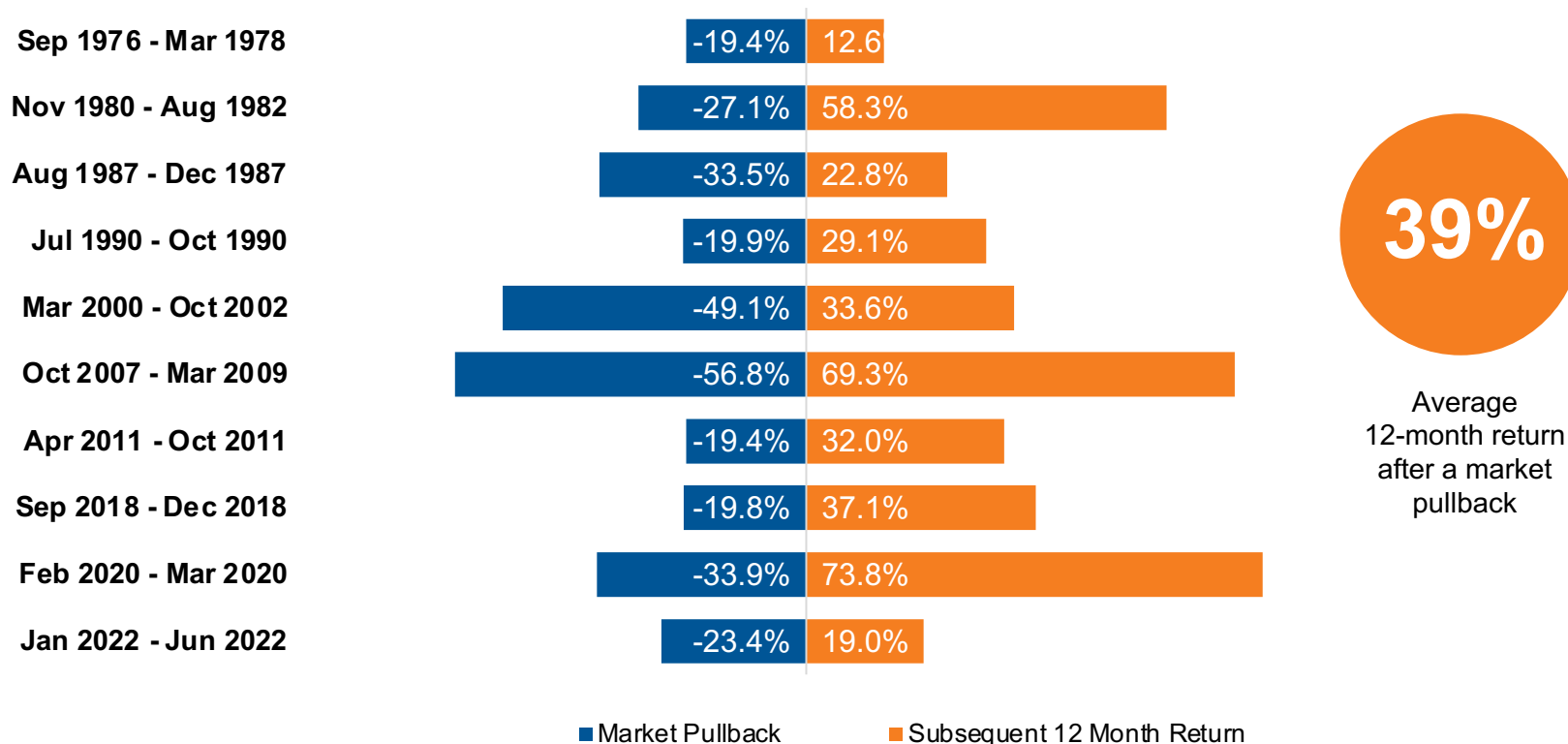
# AGENDA

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# Stock market pullbacks typically see near-term recovery

S&P 500 Index pullbacks of at least 15% since 1975

## U.S. stock market returns (%)

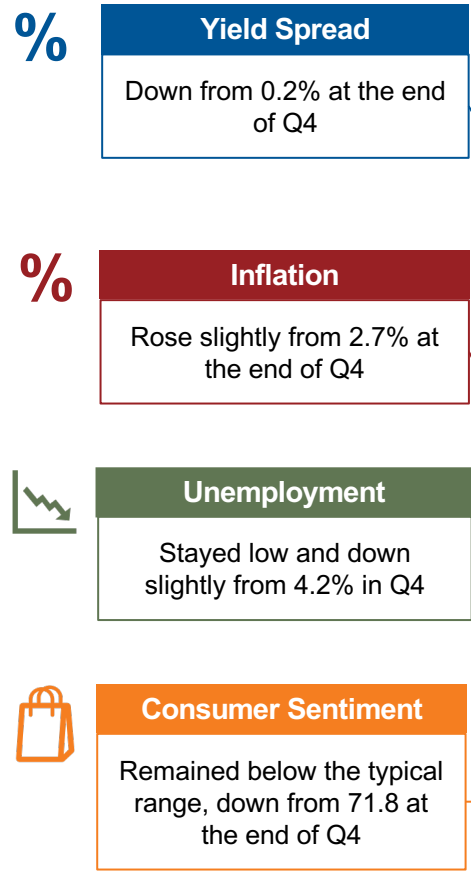


Market pullbacks happen frequently, even the deepest drawdowns tend to snapback quickly

Source: Stocks: S&P 500 Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

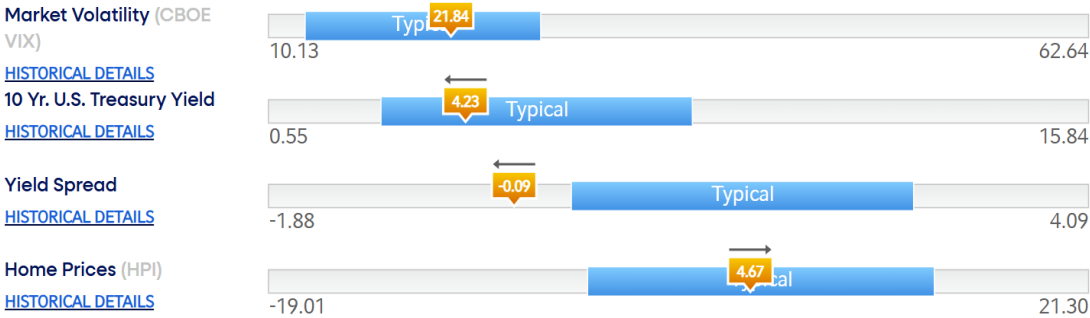
# Economic indicators dashboard

Q1 2025

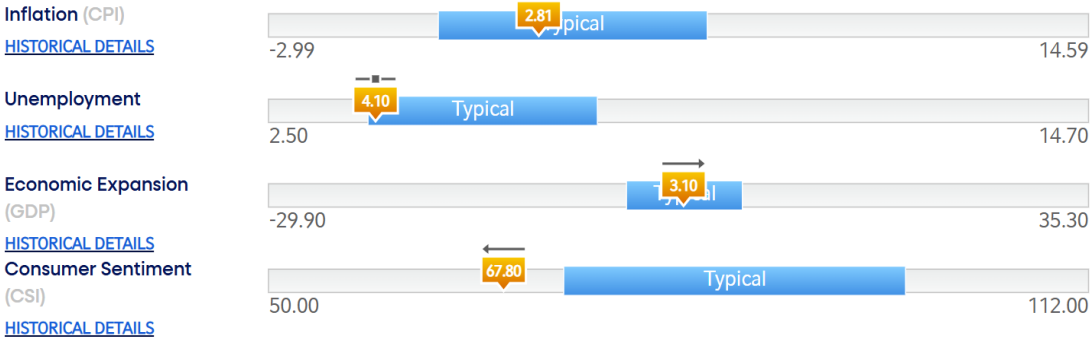


MOST RECENT 3-MO. TREND TYPICAL RANGE ACTUAL RANGE

## MARKET INDICATORS



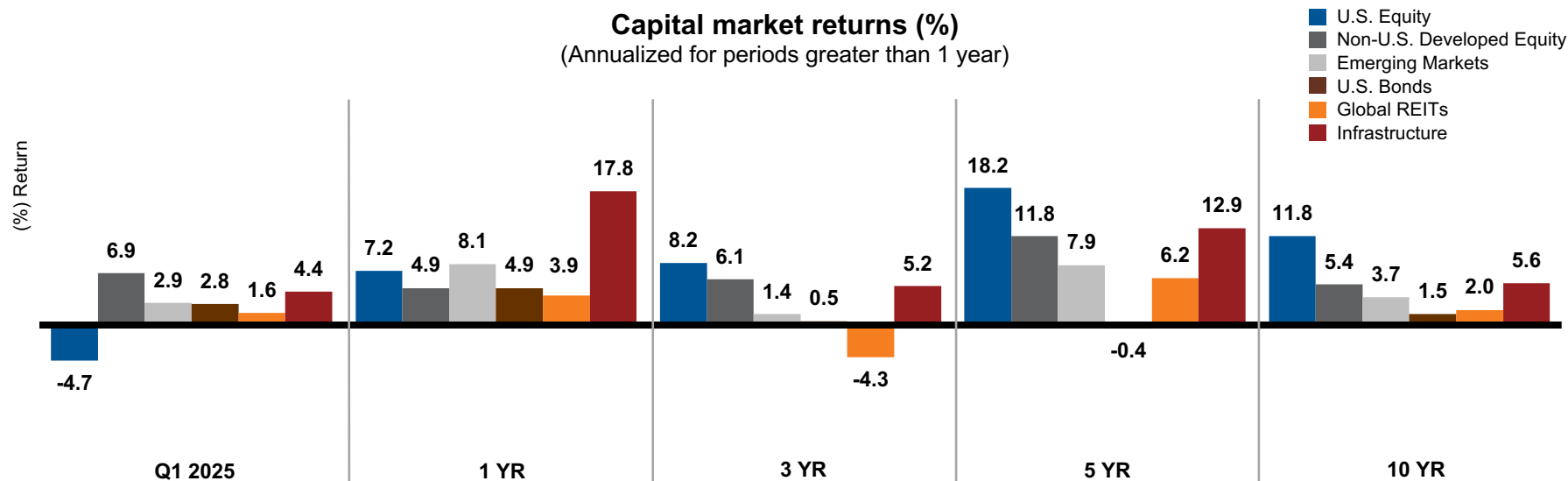
## ECONOMIC INDICATORS



Source: <http://www.russellinvestments.com>, current view from RI.com as of 04/07/2025, data points as of most recent month-end. For more up to date information, please refer to [www.russellinvestments.com](http://www.russellinvestments.com). See appendix for category definitions. Russell Investments' Economic Indicators Dashboard charts several key indicators to help investors assess economic and market trends.

# Capital markets

Periods ending March 31, 2025



**U.S. equity:** (Russell 3000® Index) U.S. stock index which includes the 3,000 largest U.S. stocks as measured by market capitalization

**Non-U.S. developed equity:** (MSCI EAFE Index) International market index that includes Western Europe, Japan, Australia

**Emerging markets:** (MSCI Emerging Markets Index) Emerging markets index that includes S. Korea, Brazil, Russia, India and China

**U.S. bonds:** (Bloomberg U.S. Aggregate Bond Index) Broad index for U.S. Fixed Income market

**Global REITs:** (FTSE EPRA/NAREIT Developed Index) Index for global publicly traded real estate securities

**Infrastructure:** (S&P Global Infrastructure Index) Provides exposure to companies around the world that represent listed infrastructure

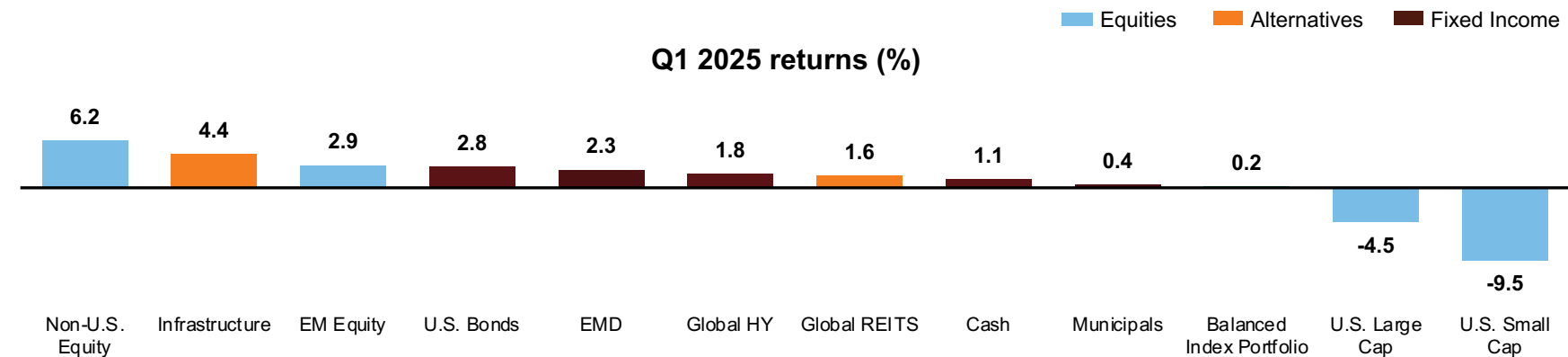
## CAPITAL MARKETS Q1 2025:

- **U.S. equity** ended the quarter down with market volatility ticking up on uncertainty surrounding tariffs and economic growth
- **Non-U.S. developed equity** finished the quarter up with markets reacting to governments spending more on defense and infrastructure
- **Emerging markets** were positive with China leading on a more expansionary fiscal policy aimed at stabilizing growth
- **U.S. bonds** ended the quarter up as investors moved to “safer” asset classes such as core fixed income
- **Global REITs** rose despite the Fed holding rates steady
- **Infrastructure** was up in Q1 despite challenges such as economic uncertainty and changes to trade policies

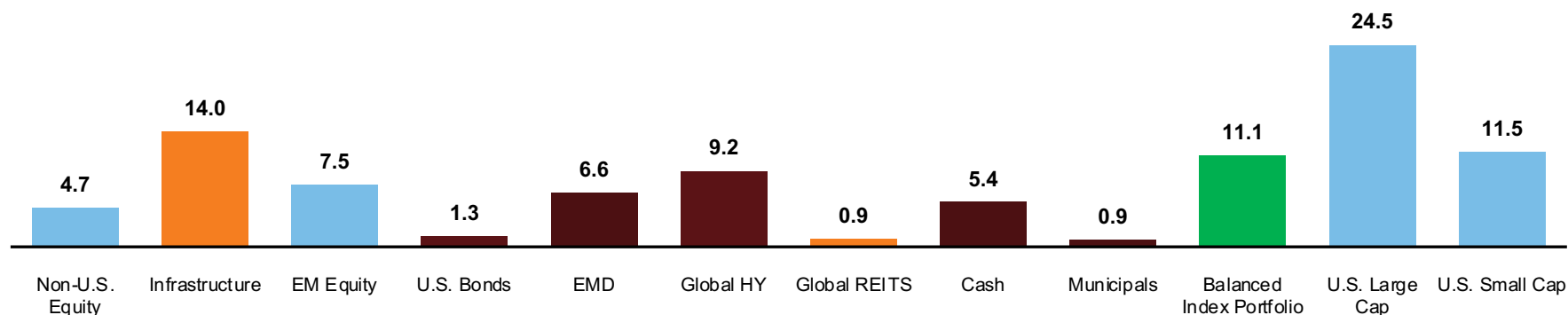
Source: FTSE/Russell, Bloomberg, MSCI, FTSE NAREIT, and S&P. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

# What worked and what didn't

Q1 2025 and 2024



## Year ending 2024 returns (%)

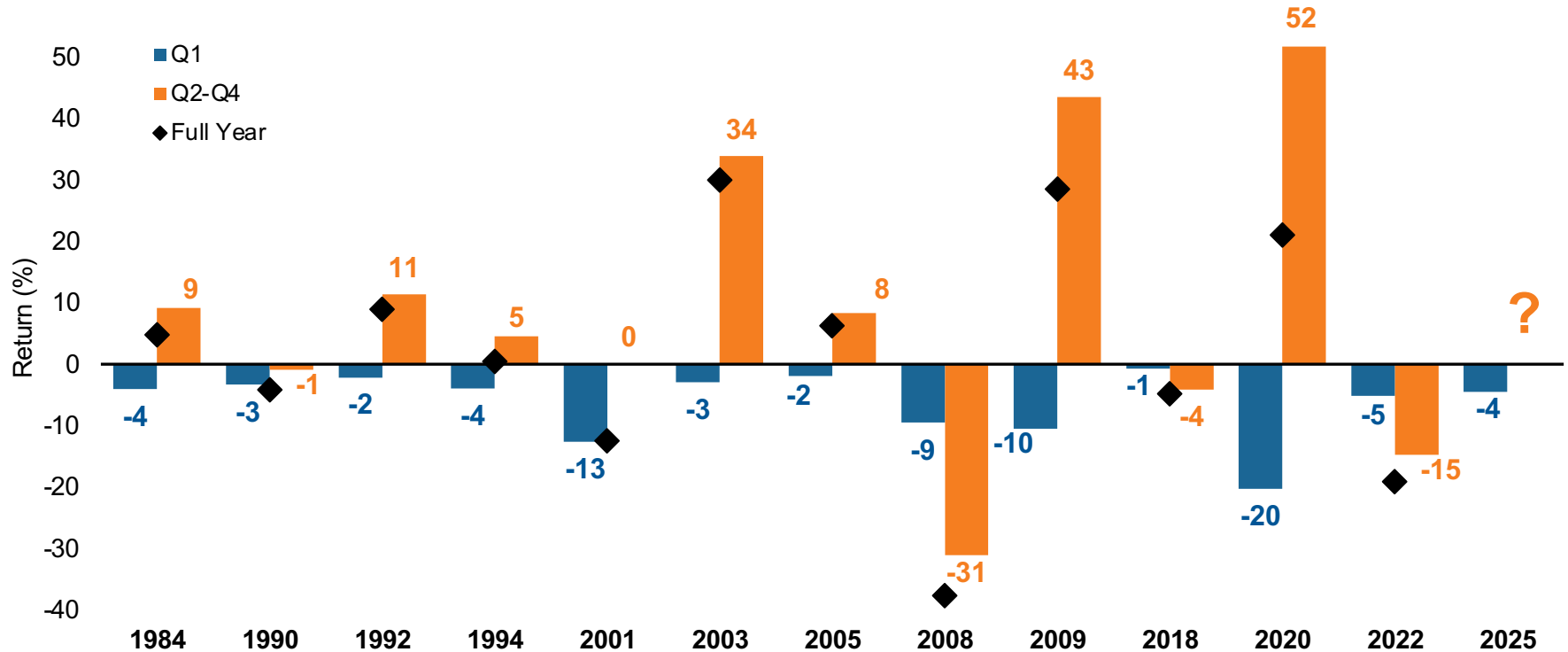


Source: U.S. Small Cap: Russell 2000® Index; U.S. Large Cap: Russell 1000® Index; Non-U.S.: MSCI World ex-USA Net index; Infrastructure: S&P Global Infrastructure Index; Global High Yield: Bloomberg Global High Yield Index; Global REITS: FTSE EPRA/NAREIT Developed Index; Municipals: Bloomberg Municipal Index; Cash: FTSE Treasury Bill 3 Month Index; EM Equity: MSCI Emerging Markets Index; U.S. Bonds: Bloomberg U.S. Aggregate Bond Index; Balanced Index: 3% U.S. Small Cap, 36% U.S. Large Cap, 13% Non-U.S., 2% Infrastructure, 4% Global High Yield, 2% Global REITS, 2% Cash, 4% EM Equity, 34% U.S. Bonds. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

# Difficult start a predictor for rest of the year?

Markets have often fared better after previous Q1 declines

**Negative Q1 U.S. Stock Returns vs. Rest of Year**  
1984 - 2025



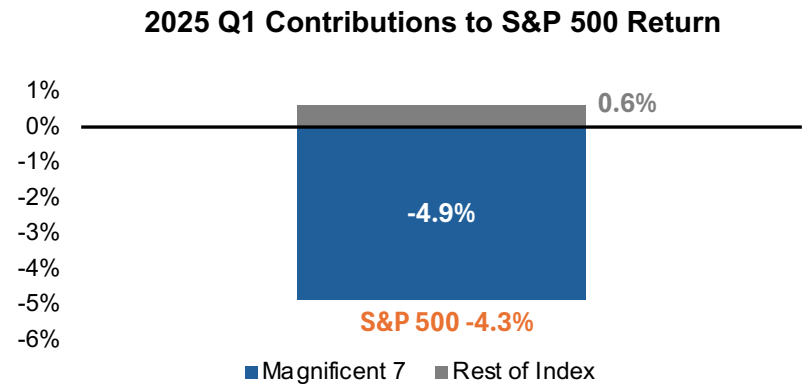
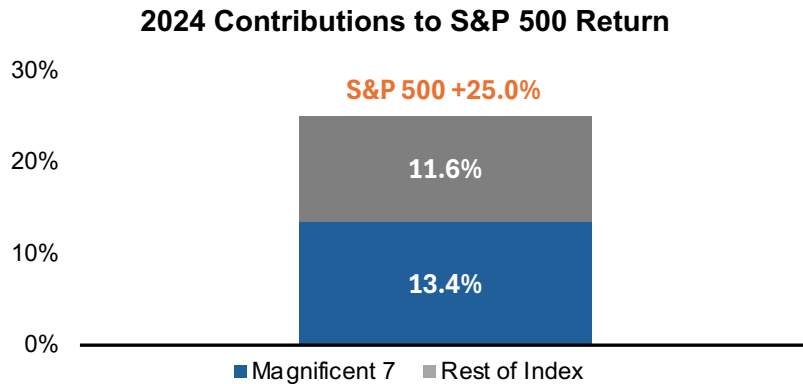
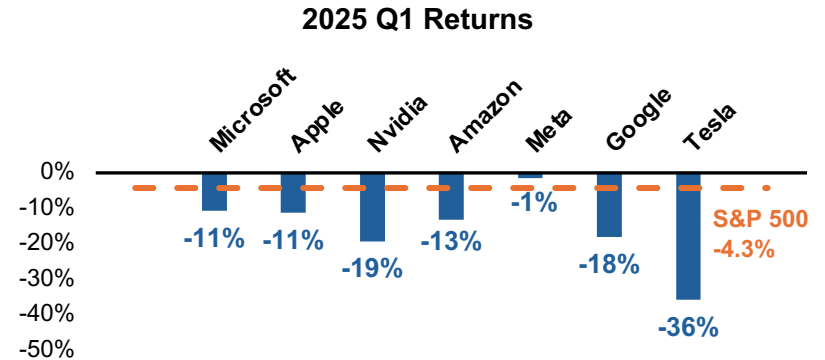
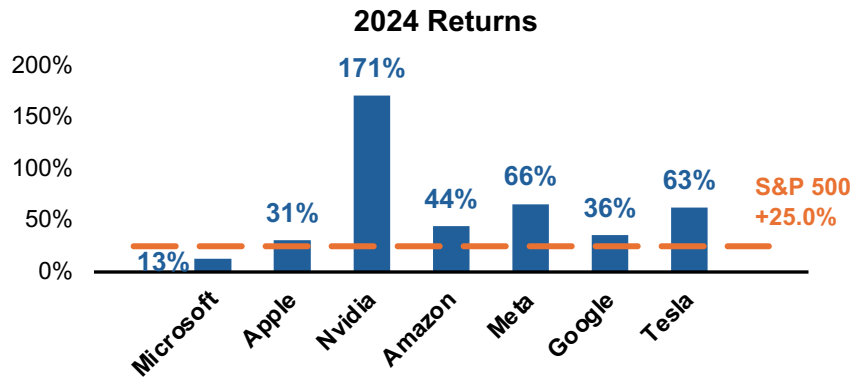
- U.S. stocks dropped during the first quarter for the first time since 2022, marking the 13<sup>th</sup> negative start since 1984.
- In 8 of the 12 prior instances markets were positive for the remainder of the year helping to make up some or all Q1 losses.
- Staying invested through volatility is key to benefiting from market recoveries when they occur.

Source: Morningstar. U.S. Stocks represented by Russell 1000 Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.



# U.S. stock leadership reversal

The “Magnificent 7” stocks that drove market returns over the last several years lagged in Q1

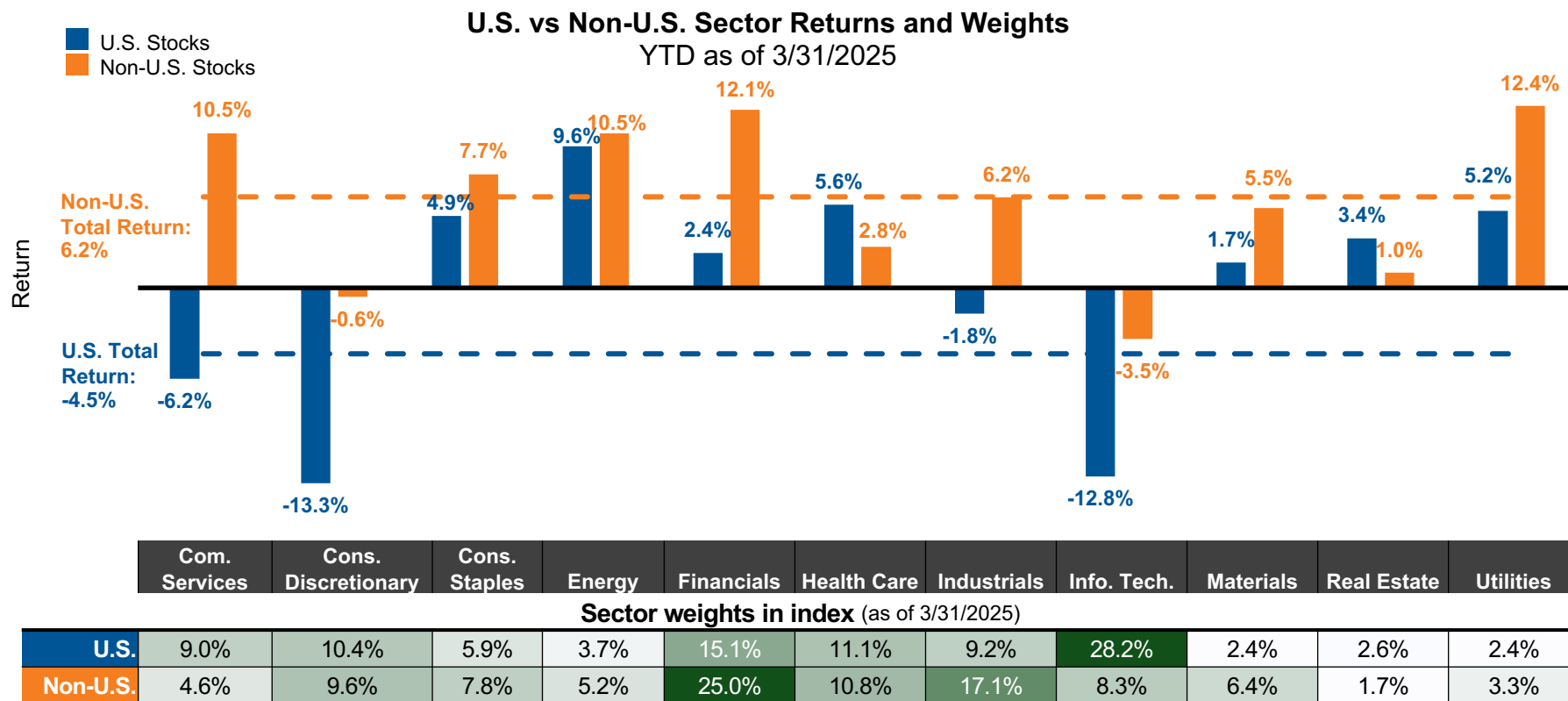


- In 2024 all but one Magnificent 7 stock outperformed the S&P 500. Through Q1 of 2025, all but one underperformed
- The average return rank in the index of the Magnificent 7 stocks for Q1 was 420<sup>th</sup>. Over the course of 2023-24, their average return rank was 35<sup>th</sup>

Source: Russell Investments and Morningstar Direct. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. "Magnificent 7" refers to Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla, and Meta.

# Sector comparison highlights regional differences

Non-U.S. sectors showed more balance in Q1 while U.S. was led lower by tech and discretionary

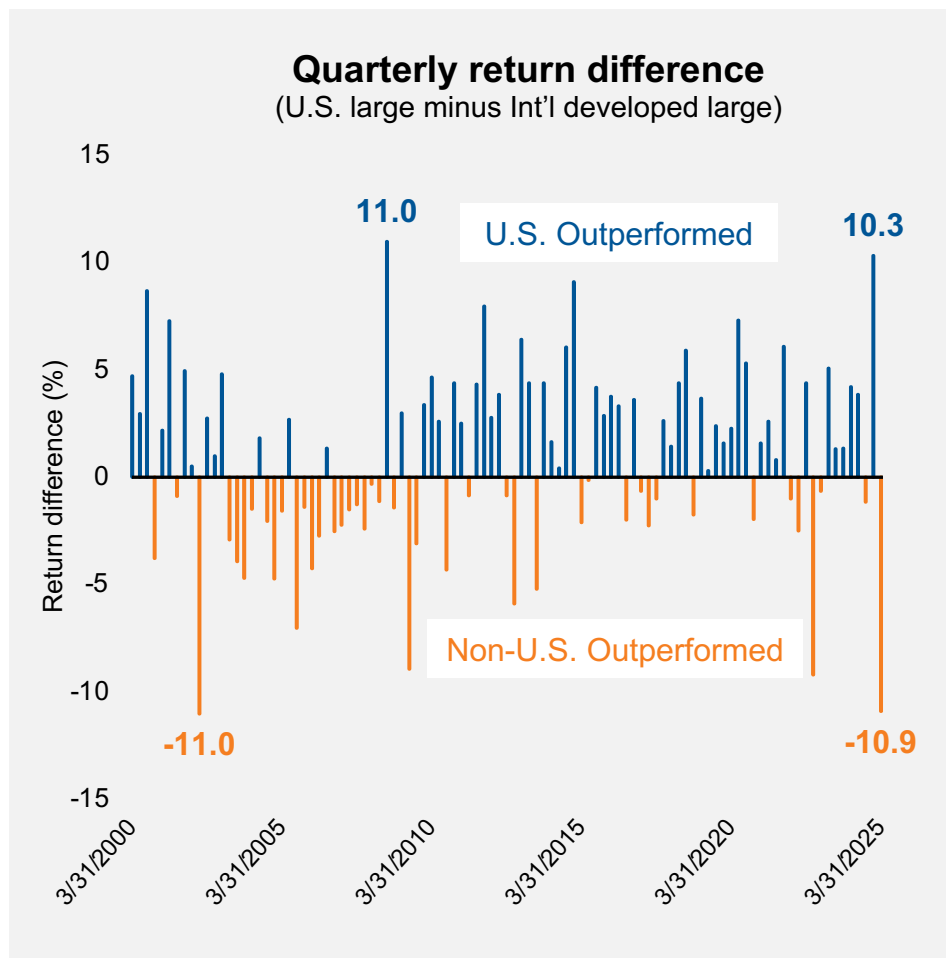


- Despite negative returns from U.S. stocks in Q1, 7 of 11 sectors finished with positive returns for the quarter.
- Technology's U.S. weight is more than three times larger than non-U.S, which has larger weights to financials and industrials.
- Non-U.S. sector results were more consistent during Q1 while tech and discretionary underperformed in the U.S.

Source: Russell Investments and Morningstar. U.S. Stocks represented by Russell 1000 Index while Non-US represented by MSCI World ex-USA Index. Sectors based on GICS classification. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

# International diversification benefited investors this quarter

Largest outperformance since 2002



<u>U.S.</u> QTD	
Value	Growth
2.1	-10.0
-7.7	-11.1

<u>International</u> QTD	
Value	Growth
11.0	2.0
5.8	0.9

<u>U.S.</u> 1/1/2000 - 3/31/2025	
Value	Growth
7.4	7.3
8.5	5.3

<u>International</u> 1/1/2000 - 3/31/2025	
Value	Growth
4.4	2.5
7.5	4.4

- Q1 2025 marked the first time since 2002 that U.S. markets have trailed international markets by a double-digit margin for a given quarter.
- International markets were positive across all styles, providing some reprieve for diversified investors

Source: Morningstar. U.S. Large: Russell 1000; U.S. Large Value: Russell 1000 Value; U.S. Large Growth: Russell 1000 Growth; International Large: MSCI World ex USA Large; International Large Value: MSCI World ex USA Large Value; International Large Growth: MSCI World ex USA Large Growth; U.S. Small Value: Russell 2000 Value; U.S. Small Growth: Russell 2000 Growth; International Small Value: MSCI World ex USA Small Value; International Small Growth: MSCI World ex USA Small Growth. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

# Currency can have an impact in international investing

## Country returns by calendar-year in USD and local currency

		2020	2021	2022	2023	2024	2025 Q1
Returns in USD	(%) denotes currency effect	China 29.67% (+1.40%)	S&P 500 28.71% (N/A)	UK -4.83% (-11.99%)	S&P 500 26.29% (N/A)	S&P 500 25.02% (N/A)	China 15.06% (+0.03%)
		S&P 500 18.40% (N/A)	UK 18.53% (-1.09%)	MSCI EAFE -14.01% (-7.49%)	Japan 20.77% (-8.27%)	China US 19.67% (-0.09%)	UK 9.70% (+3.26%)
		Japan 14.91% (+5.74%)	MSCI EAFE 11.78% (-7.47%)	Japan -16.31% (-12.21%)	MSCI EAFE 18.85% (+2.08%)	Japan 8.68% (-12.47%)	MSCI EAFE 7.01% (+3.98%)
		MSCI EAFE 8.28% (+7.00%)	Japan 2.04% (-11.77%)	S&P 500 -18.11% (N/A)	UK 14.11% (+6.43%)	UK 7.55% (-1.92%)	Japan 0.50% (+4.87%)
		UK -10.43% (+2.76%)	China -21.64% (-0.06%)	China -21.80% (-1.22%)	China -11.04% (-0.47%)	MSCI EAFE 4.35% (-7.49%)	S&P 500 -4.27% (N/A)
		2020	2021	2022	2023	2024	2025 Q1
Returns in local currency		China 28.27%	S&P 500 28.71%	UK 7.16%	Japan 29.04%	S&P 500 25.02%	China 15.03%
		S&P 500 18.40%	UK 19.62%	Japan -4.10%	S&P 500 26.29%	Japan 21.15%	UK 6.44%
		Japan 9.17%	MSCI EAFE 19.25%	MSCI EAFE -6.52%	MSCI EAFE 16.77%	China 19.76%	MSCI EAFE 3.03%
		MSCI EAFE 1.28%	Japan 13.81%	S&P 500 -18.11%	UK 7.68%	MSCI EAFE 11.84%	S&P 500 -4.27%
		UK -13.19%	China -21.58%	China -20.58%	China -10.57%	UK 9.47%	Japan -4.37%

- A strengthening U.S. dollar will hurt international equity returns, when converting to USD. A weakening dollar benefits international equity returns for U.S. investors.
- During Q1 2025, the dollar weakened against the Japanese Yen, resulting in nearly a 5% difference in returns between the local currency and the USD.











Source: Morningstar Direct: S&P 500® Index, MSCI Japan Index, MSCI United Kingdom Index, MSCI China Index, and MSCI EAFE Index. Returns are shown in USD and the index's Local Currency. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

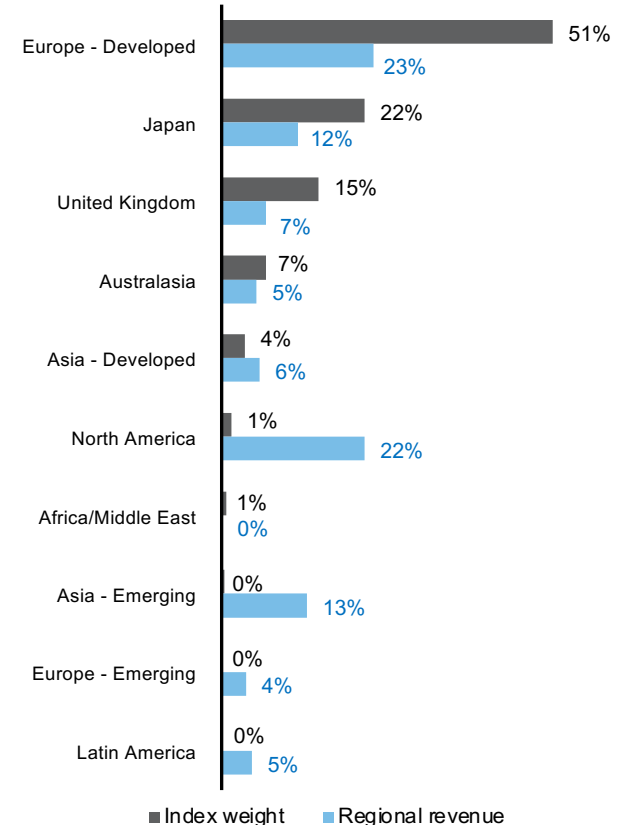
# Non-U.S. companies – but global businesses

Top global companies source majority of revenue beyond home-country borders



## BREAKDOWN OF INTERNATIONAL DEVELOPED MARKETS

Top ten companies	Sector & market notoriety	Market Cap (USD billions)	Revenue in the U.S.	Revenue outside home territory	Home country
SAP	<u>Information Technology</u> Software	\$275.7	31%	83%	
Nestlé	<u>Consumer staples</u> Food items such as Nestlé Toll House ®	\$264.6	32%	99%	
ASML Hldg	<u>Information Technology</u> Semiconductors	\$257.8	16%	99%	
Roche Holdings Genuss	<u>Health Care</u> Pharmaceuticals such as Tamiflu ® & Avastin ®	\$230.7	48%	99%	
AstraZeneca	<u>Health Care</u> Pharmaceuticals such as the COVID – 19 vaccine	\$225.2	44%	73%	
Shell	<u>Energy</u> Gas stations & operations	\$222.3	23%	67%	
Novo Nordisk B	<u>Health Care</u> Pharmaceuticals such as Ozempic ® & Wegovy ®	\$219.1	61%	80%	
Novartis	<u>Health Care</u> Pharmaceuticals such as Cosentyx ®	\$218.0	41%	70%	
HSBC Holdings (Gb)	<u>Financials</u> Banking & wealth mgt.	\$201.6	6%	81%	
Siemens	<u>Industrials</u> Energy & automation	\$174.0	28%	85%	



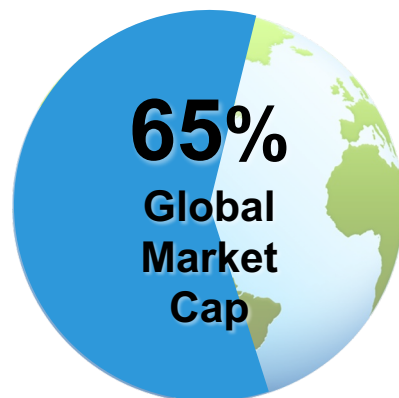
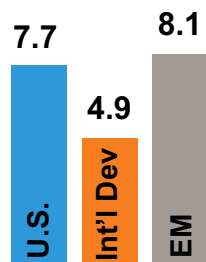
Most non-U.S. companies derive a significant portion of their earnings from global markets, not just their home countries

Sources: Morningstar Direct, Bloomberg as of 3/31/2025, International developed markets represented by the MSCI EAFE Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

# Global equity markets

Fundamentals suggest renewed growth potential

One Year  
Ending 3/25 (%)

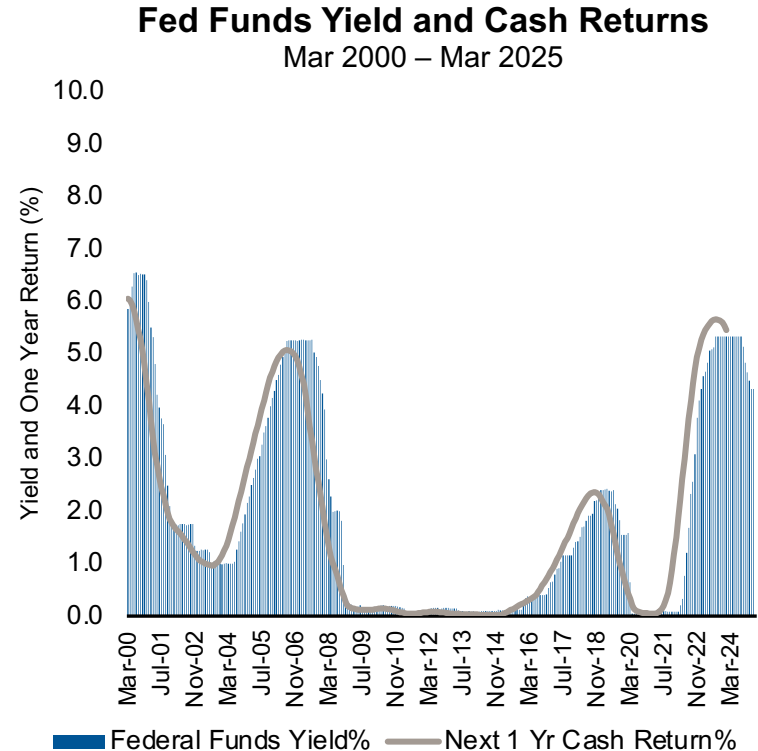
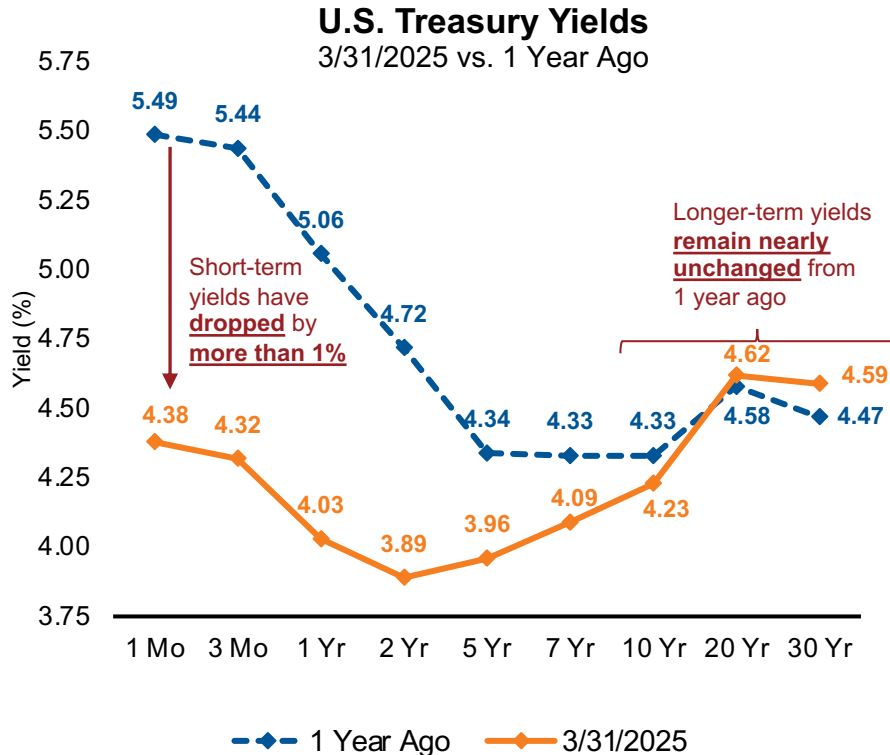


	UNITED STATES	INTERNATIONAL DEV	EMERGING MARKETS
Market Cap 1990-2020	30% - 65%	25% - 67%	2% - 14%
% of global GDP	26%	24%	50%
% of global population	4%	10%	86%
Central bank rates	4.25% - 4.50%	0.25% - 4.50%	3.10% - 21.00%
Price/Earnings	25.1	15.6	15.1
Price/Book	4.8	1.9	1.9
Dividend yield	1.4%	3.0%	2.7%

Sources: S&P 500 Index, MSCI U.S. Index, MSCI World x-US Index, MSCI Emerging Markets Index, International Monetary Fund, World Bank. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. Numbers may not add due to rounding.

# Lower short-term rates following Fed actions

The yield curve has shifted over the last twelve months, impacting bond expectations



- Short-term rates can fall relatively quickly as economic conditions change.
- The corresponding short-term investment returns can fall just as quickly when rates drop.
- Investor expectations for additional Fed rate cuts suggest short-term rates may trend lower.
- Longer-term yields remain elevated indicating potentially attractive returns for bonds.

Source: U.S. Treasury. U.S. Aggregate Bond Index represents Bloomberg U.S. Aggregate Bond Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Fed Funds Yield from the St. Louis Federal Reserve website, and Cash return calculated using the Citigroup 1-3 Month Treasury Bill Index.

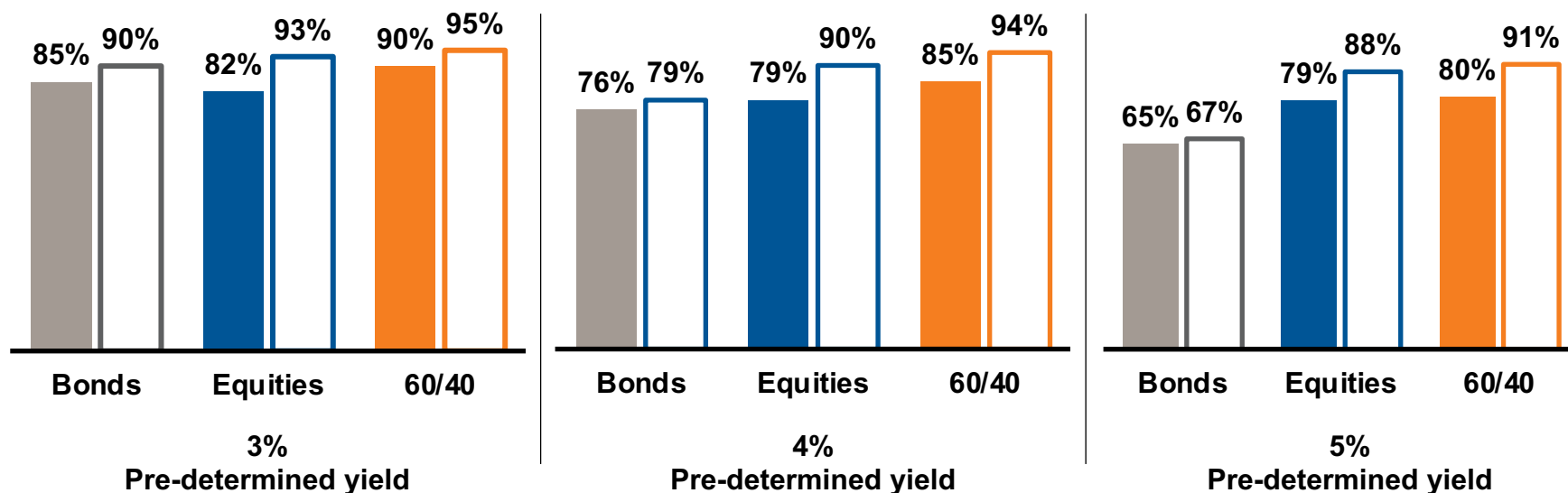
# The potential cost of reinsurance

When pre-determined rates may look attractive, staying invested has often been most rewarding

## % of time market investment outperforms a pre-determined yield

Jan. 1980 – Mar. 2025

■ 5 Year    □ 10 Year



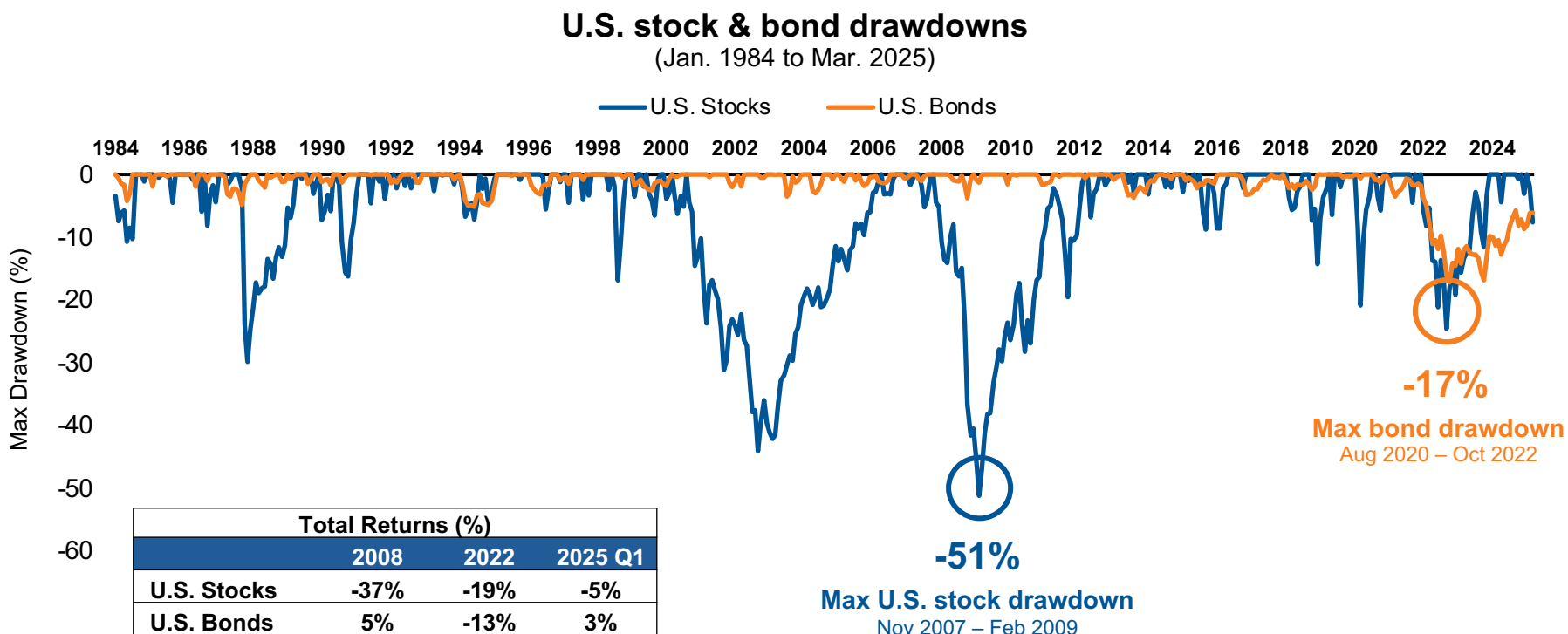
- A fixed rate of return can be enticing, especially when volatility causes uncertainty
- Historically, market investment has been a reliable source of outperformance relative to pre-determined rates of return
- When market investments outperform, positive excess returns have been significantly greater

Source: Morningstar. Equities: Russell 3000 Index, Bonds: Bloomberg U.S. Gov/Credit Index (1/1/1980-12/31/1985), Bloomberg U.S. Aggregate Bond Index thereafter. 60/40: 60% equities, 40% bonds. 5 Year: Rolling 5-year period with a 1-month step, 10 Year: Rolling 10-year period with a 1-month step. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.



# Bonds have historically been strong diversifiers

Fixed income and equities have remained relatively uncorrelated throughout the years



- Stocks and bonds have historically had a low correlation together. Over the last 30 years they have a correlation of 0.14, with 0 meaning completely uncorrelated.
- 2022 was an outlier, where both asset classes had deep pullbacks. 2008 was the worst calendar year return in U.S. stocks over this period and bonds were positive, which is also the case in Q1 of this year.

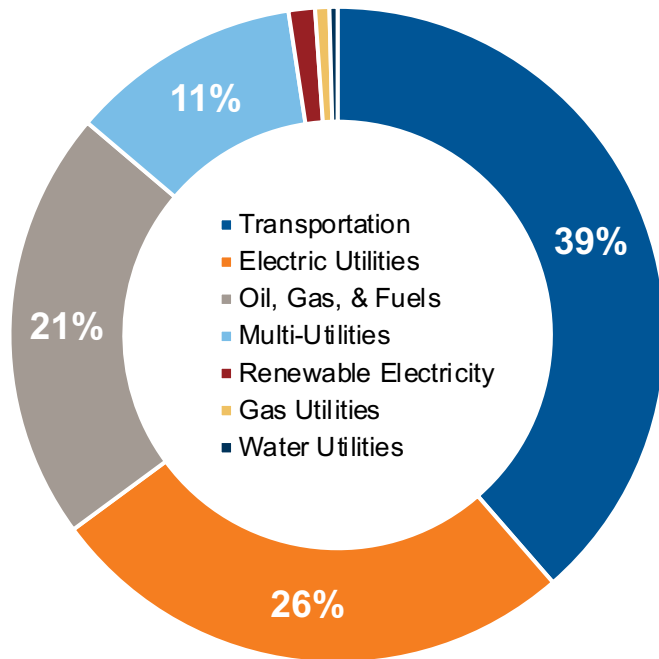
Source: Morningstar. Monthly max drawdown for U.S. Bonds, represented by the Bloomberg U.S. Govt/Credit Index from 1984-85 and Bloomberg U.S. Aggregate Bond Index thereafter, & for U.S. Stocks, represented by the Russell 3000 Index from 1984-2025Q1. Indexes are unmanaged and can't be invested in directly. Index returns represent past performance, are no guarantee of future performance, and not indicative of any specific investment.

# Infrastructure has posted a strong stretch

Fulfilling the roles of diversified growth assets

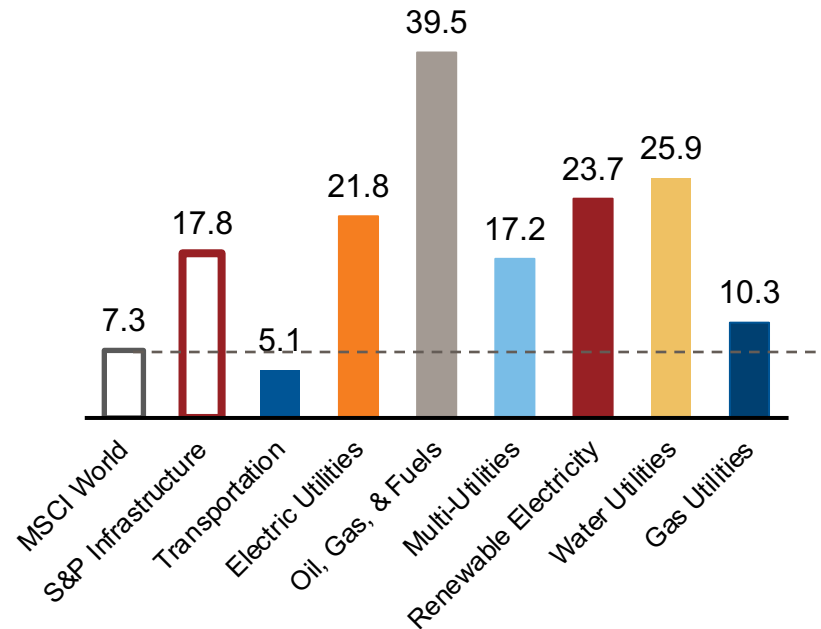
## Infrastructure sector weights (%)

March 2025



## Infrastructure sector returns (%)

One Year Ending March 2025



- S&P Global Infrastructure Index returned +17.8% vs. MSCI World Index +7.3% for the one year ending March 2025
- Infrastructure sectors were positive across the spectrum
- Projected global infrastructure spend should provide ongoing investment opportunities for investors

Source: S&P Global Infrastructure Index Net, MSCI World Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

# Russell Investments' global market outlook

## ECONOMIC VIEWS



### U.S. ECONOMY

- U.S. recession risks now closer to a coin toss amid trade policy uncertainty
- Job creation has been robust to-date, but economic growth and labor markets could weaken should tariffs remain in place for a protracted period
- Inflation likely to reaccelerate if current tariffs persist



### EUROPE

- Encouraging green shoots emerging amid a pick-up in credit activity, but U.S. tariffs could weigh on growth
- Shift to fiscal stimulus an important positive for the region
- Central bank may need to ease interest rates further in response to U.S. tariffs



### PACIFIC BASIN

- Wage growth and inflation expectations have moved towards Bank of Japan's inflation targets
- Chinese fiscal policy a key continued watchpoint into 2025



### FED and FISCAL POLICY

- Fed policy likely to remain data-dependent. Rate cuts still possible this year despite tariff risks
- Despite the wave election, razor thin margins in the House could still serve as a constraint on fiscal policy

## ASSET CLASSES



### GLOBAL EQUITIES

- Investor sentiment reached one of our initial panic thresholds in April 2025, an encouraging offset to elevated macroeconomic risks
- Equity market valuations more attractive outside of the U.S., but offset by higher cyclical risks
- U.S. earnings growth has been decent to date, but tariffs could weigh on earnings



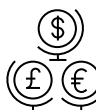
### FIXED INCOME

- Government bonds can offer long-term diversification, but falling yields have narrowed the tactical opportunity set
- High yield spreads have widened to more normal levels
- Corporate balance sheets still generally robust



### REAL ASSETS

- Listed REITs and INFRA have better valuations than traditional equities



### CURRENCIES

- USD appears expensive on a purchasing-power parity basis
- Near-term path is more uncertain amid elevated recession risk

There is no guarantee the stated expectations will be met.

As of April 2025. Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.

# U.S. recession risks are elevated

Amid trade policy uncertainty

MEDIUM-TERM RISK INDICATORS	APR 2022	MAR 2025	APR 2025
Slope of the curve (10y-2y)	High Risk	Intermediate Risk	Intermediate Risk
Labor market slack	High Risk	Low Risk	Low Risk
Stance of Fed policy	Low Risk	Intermediate Risk	Intermediate Risk
Output Gap	High Risk	Intermediate Risk	Intermediate Risk
Corporate financing gap	Low Risk	Low Risk	Low Risk
Household debt levels	Low Risk	Low Risk	Low Risk
Household debt services	Low Risk	Low Risk	Low Risk
Corporate debt levels	High Risk	High Risk	High Risk
Corporate debt service	Low Risk	Intermediate Risk	Intermediate Risk

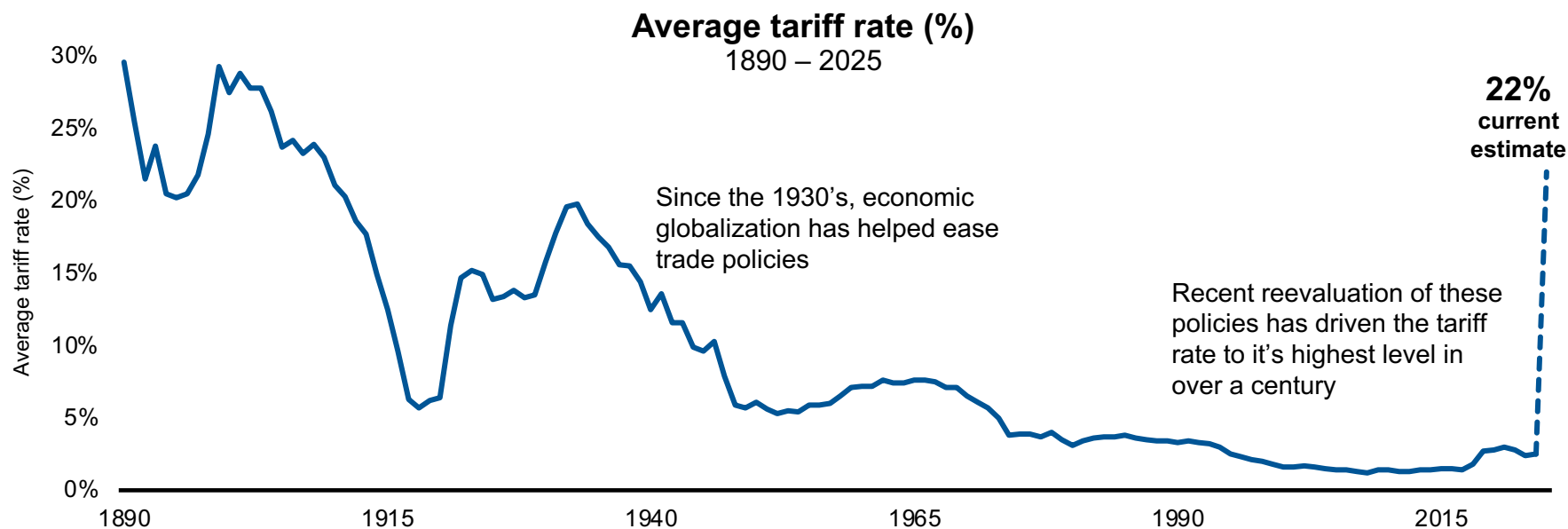
SHORT-TERM INDICATORS	APR 2022	MAR 2025	APR 2025
Business Cycle Index	Low Risk	Low Risk	Low Risk
Yield Curve (10y – 3m)	Low Risk	Intermediate Risk	High Risk
Employment Growth	Low Risk	Low Risk	Low Risk
Consumption Growth	Intermediate Risk	Intermediate Risk	Intermediate Risk
SOFR Spread	Low Risk	Intermediate Risk	Intermediate Risk
Credit Spread	Intermediate Risk	Low Risk	Intermediate Risk
Temporary help employment	Low Risk	High Risk	High Risk
Consumer spending decomposition	Intermediate Risk	Intermediate Risk	Intermediate Risk
Architectural billings	Intermediate Risk	Intermediate Risk	High Risk
Financial Conditions Index	Intermediate Risk	Intermediate Risk	Intermediate Risk
Banking lending standards	Low Risk	Intermediate Risk	Intermediate Risk
ISM Manufacturing	Low Risk	Intermediate Risk	Intermediate Risk
ISM non-manufacturing	Intermediate Risk	Low Risk	Intermediate Risk
Initial jobless claims	Low Risk	Low Risk	Low Risk
Bank loan demand	Low Risk	Low Risk	Low Risk

- ISM surveys have begun to weaken, along with measures of business and consumer confidence
- High yield credit spreads have widened out amid risk aversion after the U.S. announcement of reciprocal tariffs
- Employment growth has been robust through March, but trade policy uncertainty could weigh on labor market going forward

Source: Russell Investments, as of the dates indicated. Red represents areas of high risk. Yellow and orange represent areas of intermediate risk. Green represents areas of low risk.

# Trade policy uncertainty

Where we've been. Where could it go?



## POTENTIAL PROS

- Source of government revenue generation
- Address international trade distortions
- Strengthen economic security
- Encourage domestic manufacturing

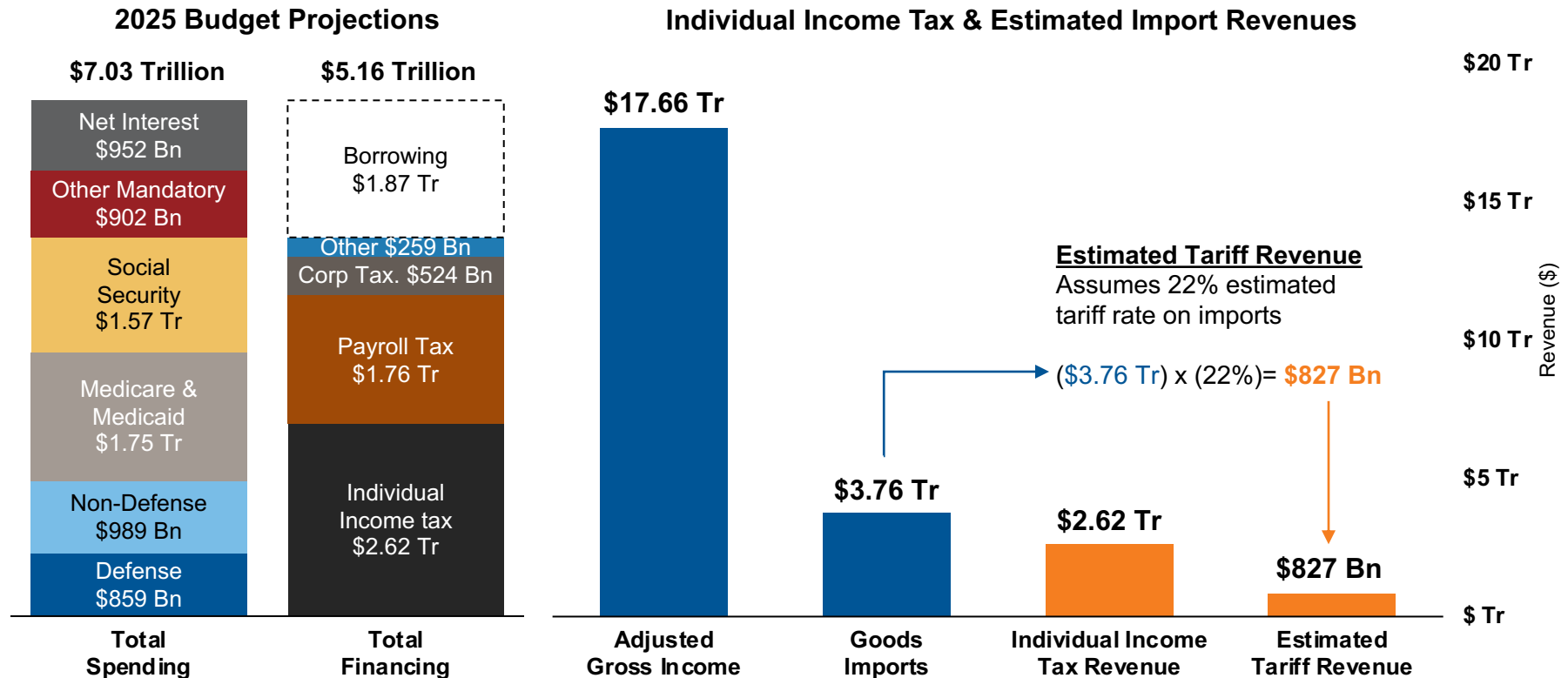
## POTENTIAL CONS

- Inflationary pressures
- Short-term market volatility
- Limited effect on revenue creation
- Form of tax on goods & services
- Trade tensions

Source: Russell Investments adaptation of model-based estimates in "The Fiscal, Economic, and Distributional Effects of a 20% Broad Tariff" (The Budget Lab, 2025) and "How Will Trump's Universal and China Tariffs Impact the Economy?" (Tax Foundation, 2024). Adaption assumes a 14-percentage-point increase in the 8% U.S. effective tariff rate which is the average tariff rate on all imports, Historical Rates from 1890-2023, Projected Rate for 2024, Estimated Rate for 2025 Under Trump's Imposed Tariffs. Estimates are based on latest proposals/data as of April 4, 2025, and actual results may differ materially due to changes in economic, market and other conditions.

# Spending and taxes

## 2025 Projections

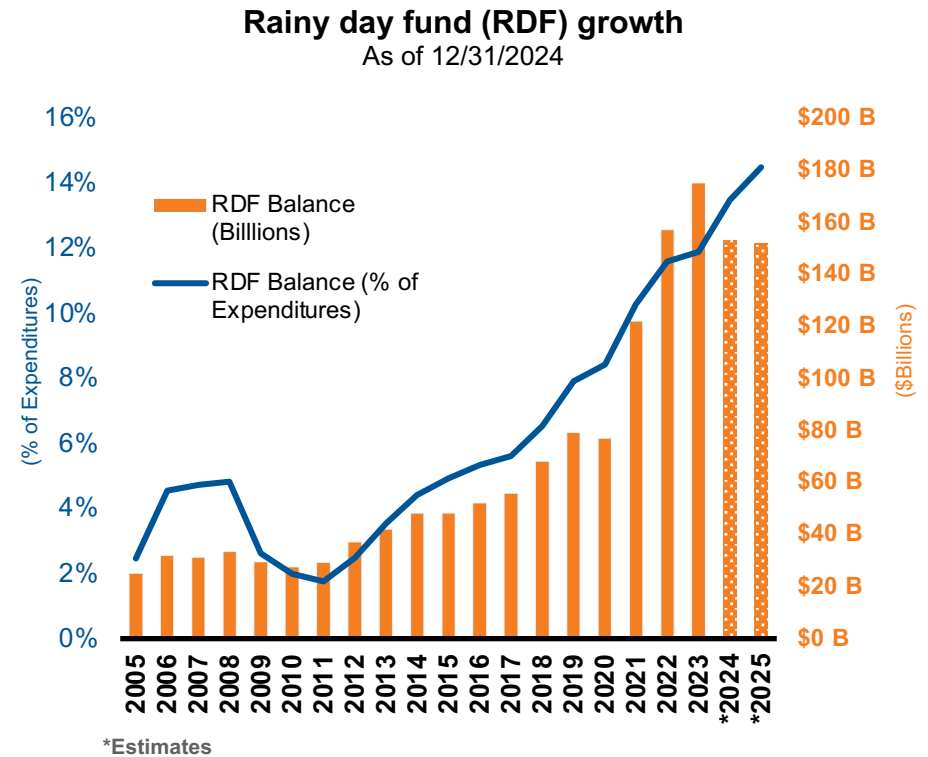
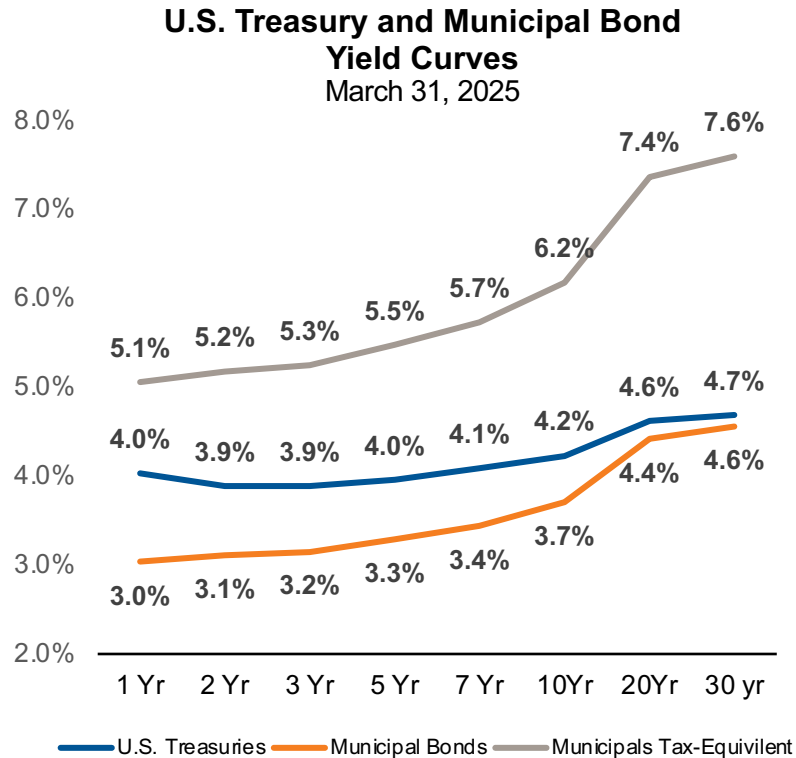


- The deficit remains large by historical standard and projected to be \$1.86 trillion in 2025
- Tariff revenues contribute only a small portion to overall funding even after considering historically large estimated tariff rates
- Additional sources of spending cuts will need to be considered to meaningfully close the budget gap

Source: Left Chart: 2025 Budget Projections: CBO "The Budget & Economic Outlook: 2025 to 2035, as of January 2025. Budget figures may not sum to total spending/financing due to rounding. Right Chart: 2025 Budget Revenue & Economic Projections. Average Estimated Tariff Rate: Russell Investments adaptation of model-based estimates in "The Fiscal, Economic, and Distributional Effects of a 20% Broad Tariff" (The Budget Lab, 2025) and "How Will Trump's Universal and China Tariffs Impact the Economy?" (Tax Foundation, 2024). Adaption assumes a 14-percentage-point increase in the 8% U.S. effective tariff rate and based on the latest proposals/data as of April 4, 2025, and actual results may differ materially due to changes in economic, market and other conditions.

# Municipal bonds continue to provide after-tax results

Local finances maintain healthy financial cushion



- Municipal bonds pre-tax returns have fallen behind taxable bond returns
- After-tax results should be the focus, with after-tax yields remaining attractive
- Local municipal strength is backed by well-funded Rainy Day Funds

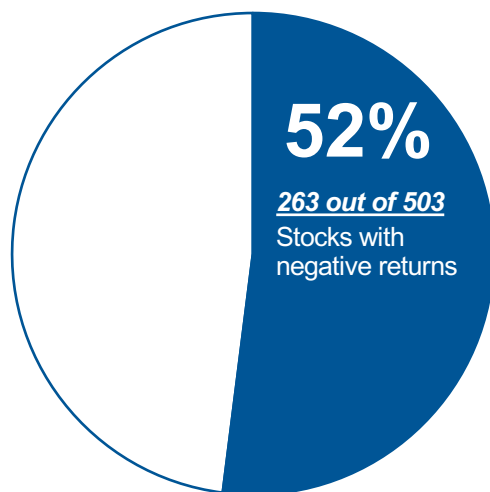
Sources: U.S. Treasury, MunicipalBonds.com, NASBO's Fiscal Survey of States.

# Percent of stocks with negative Q1 returns

Volatility presents tax-loss harvesting opportunities – even in up markets

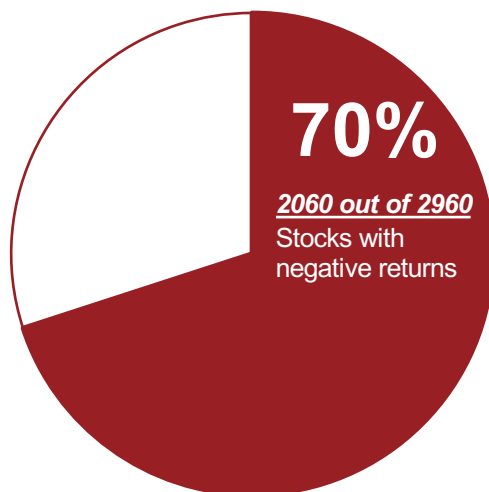
S&P 500 INDEX

Q1 Return: **-4.3%**



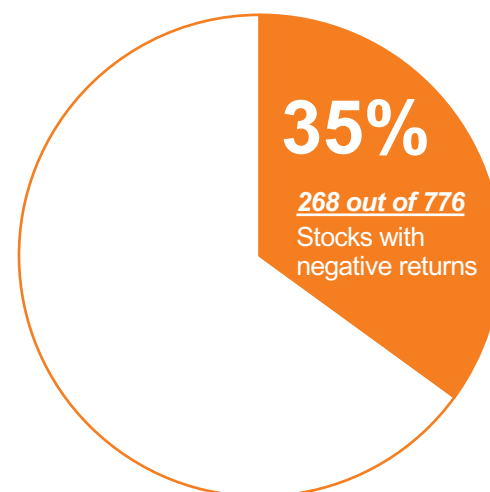
U.S. STOCKS

Q1 Return: **-4.7%**



INTERNATIONAL STOCKS

Q1 Return: **+6.2%**



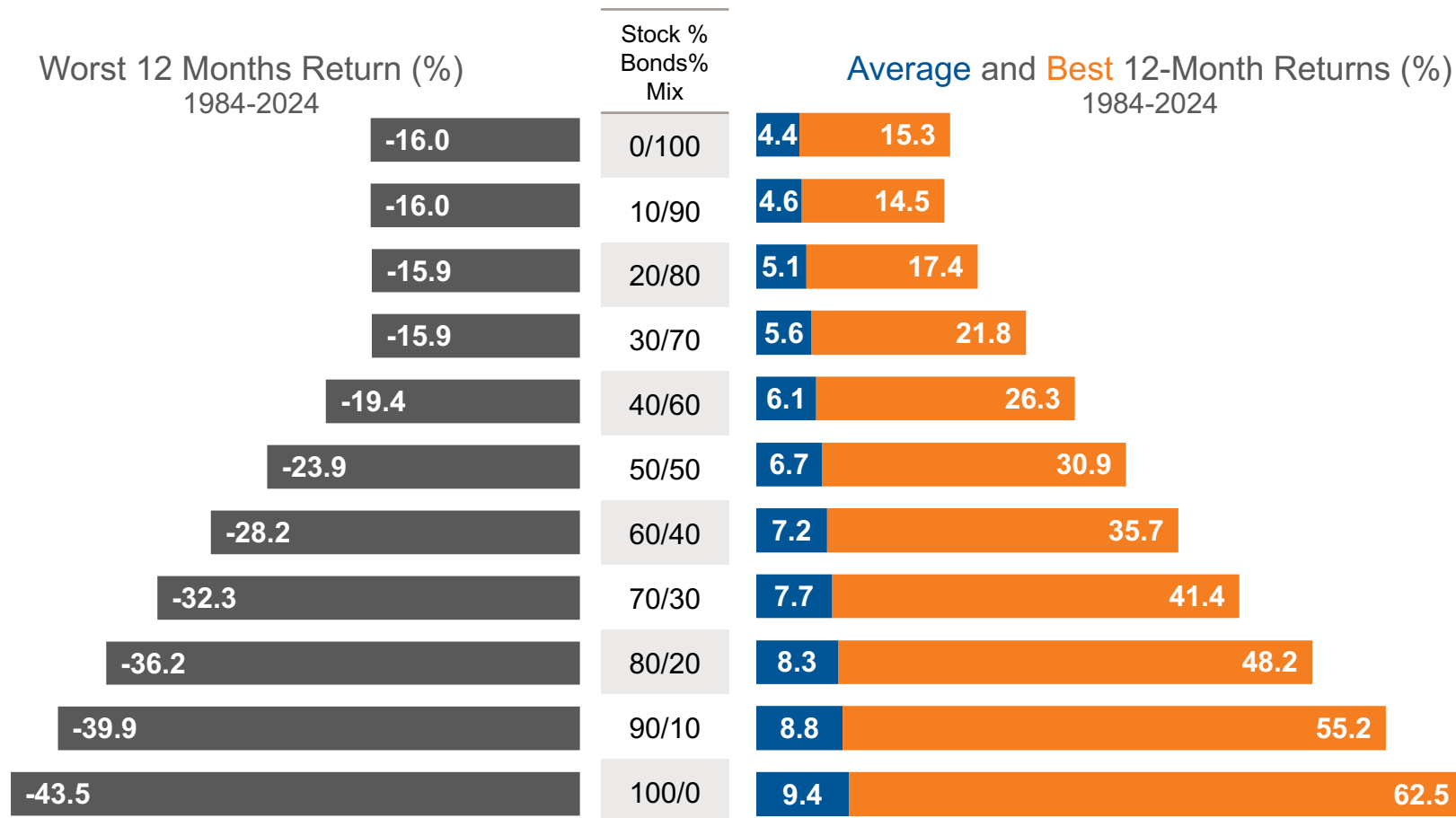
- Negative returns from U.S. stocks in Q1 has created significant tax-loss harvesting opportunities for investors.
- Even with positive returns in Q1, over one-third of non-US stocks were negative and offered a loss harvesting opportunity.
- Engaging in year-round tax-loss harvesting can benefit investors by taking advantage of these opportunities when they occur.

Source: Russell Investments. U.S. Stocks represented by Russell 3000 Index and International Stocks represented by MSCI World ex-USA Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.



# One year performance can produce large swings

Long-term results provide stronger foundations for investment decisions



Investors should not allow short-term results to move them away from their long-term plans

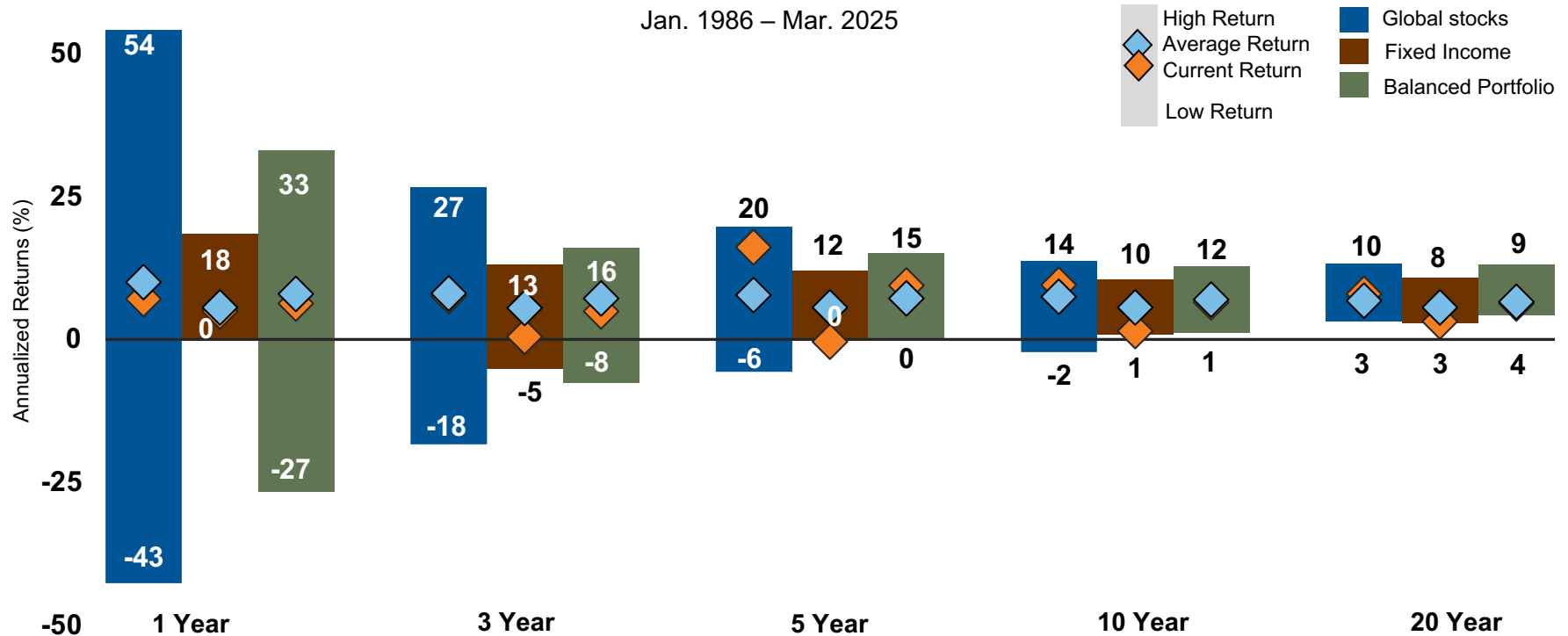
Sources: Stocks: Russell 3000 Index, Bonds: Bloomberg Barclays Government/Credit Index.

# Time is on your side

Wide range of short-term results but long-term has been more stable

## Asset class returns

Jan. 1986 – Mar. 2025



- Short-term returns may be unpredictable, but historically patient investors have been rewarded.
- Don't let short-term volatility affect long-term goals.

Source: Morningstar. Equity: MSCI World; Fixed Income: Bloomberg U.S. Aggregate Bond; Balanced: 60% Equity, 40% Fixed Income. Based on quarterly time periods. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

# Important information and disclosures

## RISKS OF ASSET CLASSES DISCUSSED IN THIS PRESENTATION:

**Global, International and Emerging markets** return may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Such securities may be less liquid and more volatile. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and political systems with less stability than in more developed countries.

**Real Assets:** Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including, governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

**Commodities:** Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

**Bonds:** With fixed income securities, such as bonds, interest rates and bond prices tend to move in opposite directions. When interest rates fall, bond prices typically rise and conversely when interest rates rise, bond prices typically fall. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds. Bond investors should carefully consider these risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds.

**Small capitalization (small cap) investments** involve stocks of companies with smaller levels of market capitalization (generally less than \$2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

**Large capitalization (large cap) investments** involve stocks of companies generally having a market capitalization between \$10 billion and \$200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Although stocks have historically outperformed bonds, they also have historically been more volatile. Investors should carefully consider their ability to invest during volatile periods in the market.

**Growth:** Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short-term or have grown consistently over the long-term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. A stock's value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

**Value:** Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that the stocks' intrinsic values may never be realized by the market, or, that the stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

An **Investment Grade** is a system of gradation for measuring the relative investment qualities of bonds by the usage of rating symbols, which range from the highest investment quality (least investment risk) to the lowest investment quality (greatest investment risk).

**Gross domestic product (GDP)** refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

**Trailing price-to-earnings (P/E)** is a relative valuation multiple that is based on the last 12 months of actual earnings. It is calculated by taking the current stock price

and dividing it by the trailing earnings per share (EPS) for the past 12 months.

**Forward price to earnings (forward P/E)** is a quantification of the ratio of price-to-earnings (P/E) using forecasted earnings for the P/E ratio.

**Price-to-book ratio** compare a firm's market to book value by dividing price per share by book value per share.

## INDEX DEFINITIONS:

**Bloomberg Global High-Yield Index:** An index which provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents that union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices.

**Bloomberg High Yield Municipal Bond Index:** An unmanaged index considered representative of noninvestment-grade bonds. FactSet Research Systems Inc. Intermediate U.S. Credit Index is an unmanaged index of dollar-denominated, investment-grade, publicly issued securities with maturities of one to 10 years.

**Bloomberg Intermediate Treasury Index:** Measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

**Bloomberg Short Treasury Index:** Is composed of all treasuries that have a remaining maturity between one and twelve months.

**Bloomberg U.S. Aggregate Bond Index:** An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities. (specifically: Bloomberg Government/Corporate Bond Index, the Asset-Backed Securities Index, and the Mortgage-Backed Securities Index).

**Bloomberg U.S. Credit Bond Index:** Measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

**Bloomberg US Corporate Bond Index:** Measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

# Index definitions

**Bloomberg U.S. Municipal Index:** Covers the USD-denominated long-term tax-exempt bond market.

**Bloomberg Commodity Index Family:** Represents the major commodity sectors within the broad index: Energy (including petroleum and natural gas), Petroleum (including crude oil, heating oil and unleaded gasoline), Precious Metals, Industrial Metals, Grains, Livestock, Softs, Agriculture and Ex-Energy. Also available are individual commodity sub-indices on the 19 components currently included in the DJ-UBSCI<sup>SM</sup>, plus Brent crude, cocoa, feeder cattle, gas oil, lead, orange juice, platinum, soybean meal and tin.

**Bloomberg Commodity Index Total Return:** Composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold and contracts that have not yet reached the delivery period must be purchased. This process is known as "rolling" a futures position.

**Citigroup 1-3 Month T-Bill Index:** An unmanaged index that tracks short-term U.S. government debt instruments.

**FTSE NAREIT:** An Index designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the U.S. economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

**JPM Emerging Market Bond Index (EMBI):** Dollar-denominated sovereign bonds issued by a selection of emerging market countries.

**MSCI AC World ex-USA Index:** An index that tracks global stock market performance that includes developed and emerging markets but excludes the U.S.

**MSCI country indices:** Indices which include securities that are classified in that country according to the MSCI Global Investable Market Index Methodology, together with companies that are headquartered or listed in that country and carry out the majority of their operations in that country.

**MSCI EAFE (Europe, Australasia, Far East) Index:** A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

**MSCI Emerging Markets Index:** A float-adjusted market capitalization index that consists of indices in 24 emerging economies.

**MSCI World Index:** A broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries.

**Russell 3000® Index:** Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

**Russell 2000® Index:** measures the performance of the 2,000 smallest companies in the Russell 3000 index.

**The S&P 500® Index:** A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

**The S&P Global Infrastructure Index:** Provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure across the global listed infrastructure market, the index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation, and Energy.

**S&P Global Natural Resources Index:** The index includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors

Euro Stoxx 600 index" Index is derived from the Stoxx Total Market Index and is a subset of the STOXX Global 1800 Index, represents large, mid and small capitalization companies across 17 countries of the European Region.

## Market Indicators

**HOME PRICES** – The S&P/Case-Shiller Home Price Index is a measurement of U.S. residential real estate prices, tracking changes in top 20 metropolitan regions. This indicator value represents the trailing year over year % change in the home prices index as of last month-end. Residential real estate represents a large portion of the U.S. economy, and the Home Price Index helps us monitor the value of real estate.

**MARKET VOLATILITY(VIX)** – CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30-day period. The

VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

**10 YR. U.S. TREASURY YIELD** – The yield on the 10-year U.S. Treasury note issued by the U.S. Government. It is important because it is seen as a benchmark for interest rate movements and borrowing costs in the economy.

**YIELD SPREAD** – The spread between 3-month Treasury bill yields and 10-year Treasury note yields measures the market outlook for future interest rates. A normal or upward-sloping yield curve, can imply that investors expect the economy to grow and inflation to eat into asset returns. They thus demand a higher yield for long-term Treasuries. An inverted yield curve has often been an indicator of coming recessions, but not always. For example, reduced inflation expectations could cause the yield curve to flatten.

## Economic Indicators

**CONSUMER SENTIMENT** – The University of Michigan Survey of Consumer Sentiment Index is an economic indicator which measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.

**ECONOMIC EXPANSION (GDP)** – GDP (Gross Domestic Product) measures the total market value of a nation's output of goods and services during a specific time period. It is usually measured on a quarterly basis. Current GDP is based on the current prices of the period being measured. Nominal GDP growth refers to GDP growth in nominal prices (unadjusted for price changes). Real GDP growth refers to GDP growth adjusted for price changes. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

**INFLATION** – The Consumer Price Index (CPI) NSA (non-seasonally adjusted) measures changes in the price level of a market basket of consumer goods and services purchased by households. This indicator value represents the trailing year over year % change in the CPI index as of last month-end.

**UNEMPLOYMENT** – The Bureau of Labor Statistics measures employment and unemployment of all persons over the age of 15 using two different labor force surveys conducted by the United States Census Bureau (within the United States Department of Commerce) and the Bureau of Labor Statistics (within the United States Department of Labor) that gather employment statistics monthly. The data reported here is seasonally adjusted (SA) to account for seasonal gains in employment leading up to Christmas.

01-01-343-Q1 (4/25)