

Capital Market Review

June 30, 2025

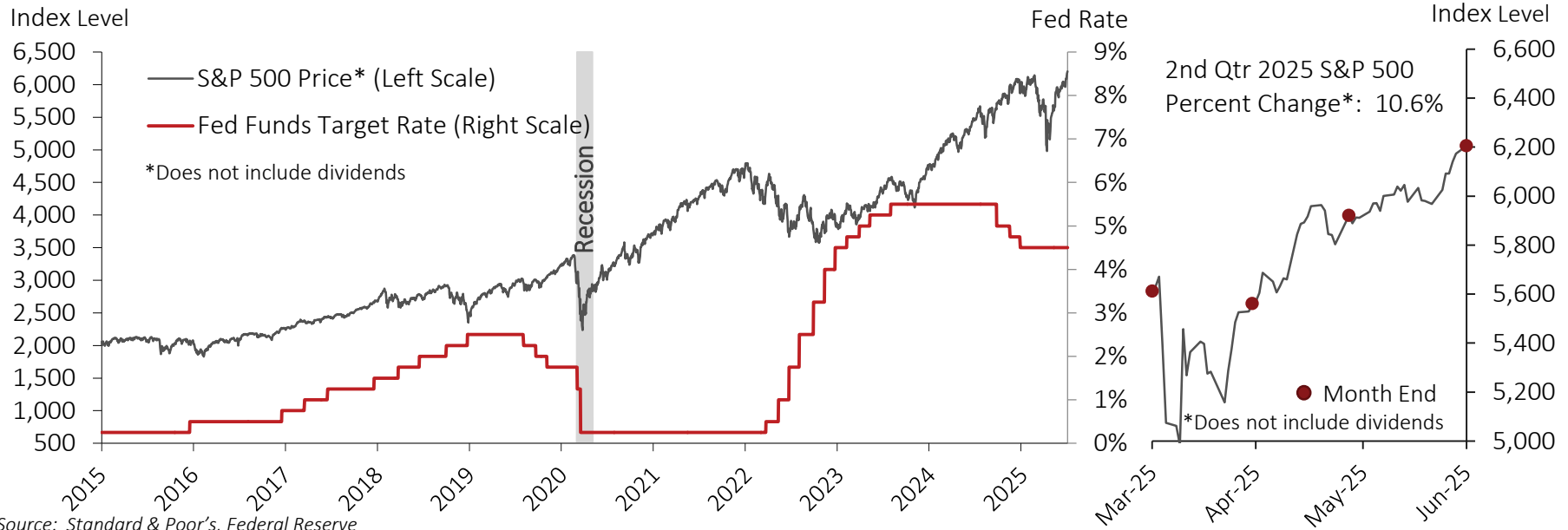


DeMarche

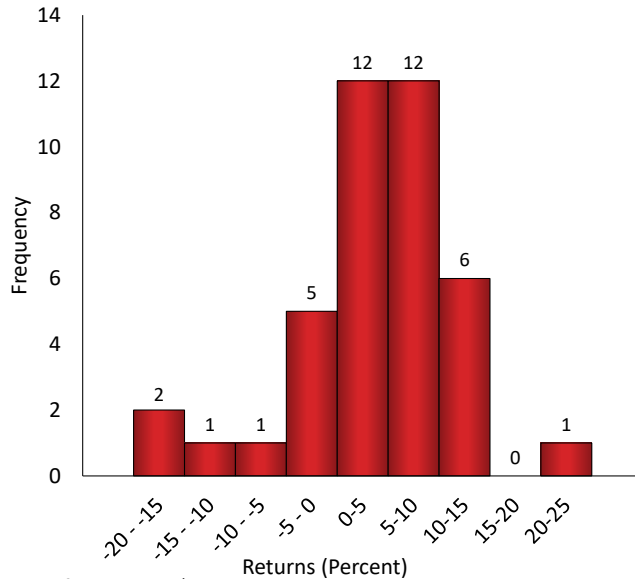


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Reversal of Misfortune

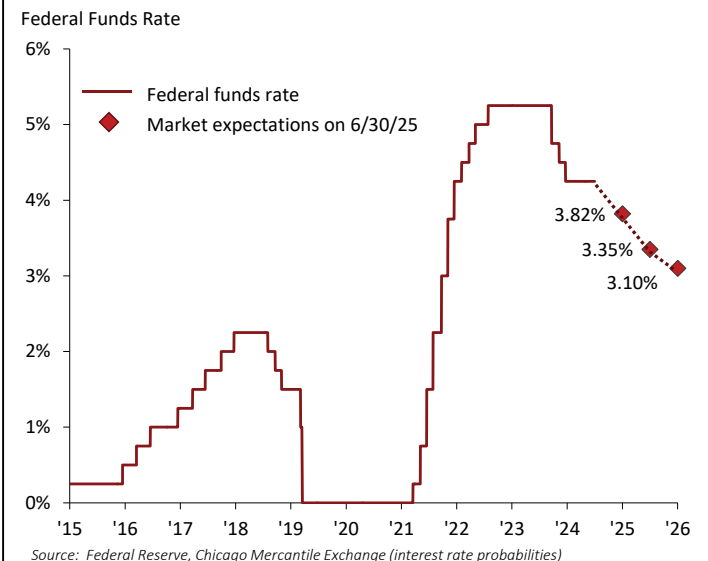


Quarterly Returns 2Q15 - 2Q25



The market rebounded off intra-quarter lows in April and finished the quarter at a record high at the end of June. The market sounded a sigh of relief as the tariff turmoil of early April faded as the Administration announced delays and trade negotiations in late April and May. As the chart to the left shows, quarterly returns of 10.9% are very rare. Of forty quarterly returns over the past ten years, six fall within the 10-15% range. In addition, the economic data point to a slowdown in activity, but not wholesale recession. This puts Fed rate cuts into play later in 2025.

Federal Funds Rate Market Expectations



Broad Market Overview

June 30, 2025

| INDEX | 2nd Qtr | YTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR |
|----------------------------|---------|------|--------|--------|--------|---------|
| MSCI World | 11.5 | 9.5 | 16.3 | 18.3 | 14.6 | 10.7 |
| Russell 3000 | 11.0 | 5.8 | 15.3 | 19.1 | 16.0 | 13.0 |
| S&P 500 | 10.9 | 6.2 | 15.2 | 19.7 | 16.6 | 13.6 |
| MSCI EAFE USD | 11.8 | 19.4 | 17.7 | 16.0 | 11.2 | 6.5 |
| MSCI Emerging Markets USD | 12.0 | 15.3 | 15.3 | 9.7 | 6.8 | 4.8 |
| Bloomberg Aggregate | 1.2 | 4.0 | 6.1 | 2.5 | -0.7 | 1.8 |
| Bloomberg Global Aggregate | 4.5 | 7.3 | 8.9 | 2.7 | -1.2 | 1.2 |
| FTSE Non-US Gov't Bond | 7.4 | 9.9 | 10.9 | 1.8 | -3.2 | 0.0 |
| NAREIT (Public RE) | -1.1 | 1.7 | 8.5 | 3.2 | 6.5 | 6.3 |
| Bloomberg Commodity | -3.1 | 5.5 | 5.8 | 0.1 | 12.7 | 2.0 |

Notes: Data are presented as percent returns. All 3-, 5-, and 10-year returns are annualized.

| Indicator Year Ending 6/30 | 2025 | 2024 | 2023 | 2022 | 50-YEAR Average |
|----------------------------|------|------|------|------|-----------------|
| GDP Annual Growth Rate* | 2.6 | 3.0 | 2.8 | 2.5 | 2.8 |
| Unemployment | 4.1 | 4.1 | 3.6 | 3.6 | 6.1 |
| Inflation (CPI) | 2.7 | 3.0 | 3.0 | 9.1 | 3.7 |
| 10-Year Interest Rates | 4.2 | 4.4 | 3.8 | 3.0 | 5.9 |

*Note: Prior to the GDP quarterly release from BEA, we show the most recent GDP Now growth rate estimate from the Federal Reserve Bank of Atlanta.

| Trailing One-Year Returns As Of 6/30/XX | | | | | | | | | | 10-Year Returns (Ann.) |
|---|---------------------------|---------------------------|--------------------------|--------------------------|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|--------------------------|
| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
| Bloomberg Aggregate 6.0% | Russell 2000 24.6% | Russell 2000 17.6% | Russell 1000 10.0% | Bloomberg Aggregate 8.7% | Russell 2000 62.0% | Bloomberg Aggregate -10.3% | Russell 1000 19.4% | Russell 1000 23.9% | MSCI EAFE 17.7% | Russell 1000 13.4% |
| Russell 1000 2.9% | MSCI Emg Mkt 23.7% | Russell 1000 14.5% | Bloomberg Aggregate 7.9% | Russell 1000 7.5% | Russell 1000 43.1% | ICE BofA High Yield -12.6% | MSCI EAFE 18.8% | MSCI Emg Mkt 12.5% | Russell 1000 15.7% | Russell 2000 7.1% |
| ICE BofA High Yield 1.7% | MSCI EAFE 20.3% | MSCI Emg Mkt 8.2% | ICE BofA High Yield 7.6% | ICE BofA High Yield 7.6% | MSCI Emg Mkt 40.9% | Russell 1000 -13.0% | Russell 2000 12.3% | MSCI EAFE 11.5% | MSCI Emg Mkt 15.3% | MSCI EAFE 6.5% |
| Russell 2000 -6.7% | Russell 1000 18.0% | MSCI EAFE 6.8% | MSCI Emg Mkt 1.2% | MSCI Emg Mkt -3.4% | MSCI EAFE 32.4% | MSCI EAFE -17.8% | ICE BofA High Yield 8.9% | ICE BofA High Yield 10.3% | ICE BofA High Yield 10.2% | ICE BofA High Yield 5.3% |
| MSCI EAFE -10.2% | ICE BofA High Yield 12.8% | ICE BofA High Yield 2.5% | MSCI EAFE 1.1% | MSCI EAFE -5.1% | ICE BofA High Yield 15.5% | Russell 2000 -25.2% | MSCI Emg Mkt 1.7% | Russell 2000 10.1% | Russell 2000 7.7% | MSCI Emg Mkt 4.8% |
| MSCI Emg Mkt -12.1% | Bloomberg Aggregate -0.3% | Bloomberg Aggregate -0.4% | Russell 2000 -3.3% | Russell 2000 -6.6% | Bloomberg Aggregate -0.3% | MSCI Emg Mkt -25.3% | Bloomberg Aggregate -0.9% | Bloomberg Aggregate 2.6% | Bloomberg Aggregate 6.1% | Bloomberg Aggregate 1.8% |

Source: DeMarche

- Global markets moved forward strongly in the quarter. Not only did the domestic market rebound after a dismal first quarter, developed overseas markets continued their rally from the first quarter and now lead the U.S. for the past twelve months.
- Emerging market stocks also did well in the quarter and have now caught up with the U.S. for the past twelve months. Over the longer haul, emerging markets still have ground to make up versus developed markets.
- Bonds returned mostly coupon income to portfolios. Interest rates (represented by the ten-year Treasury), while volatile in the quarter, closed the first quarter at 4.25% and closed the second quarter at 4.24%.
- The chart to the left, returns over the trailing twelve months (six months of 2024 and six month of 2025), shows that while U.S. large cap stocks have dominated in terms of return, over the last ten years other assets classes have won the day. Bonds and small cap stocks have each won three times and international stocks won the last twelve months. This chart reminds that diversification benefits portfolios in the long run.

DeFacto

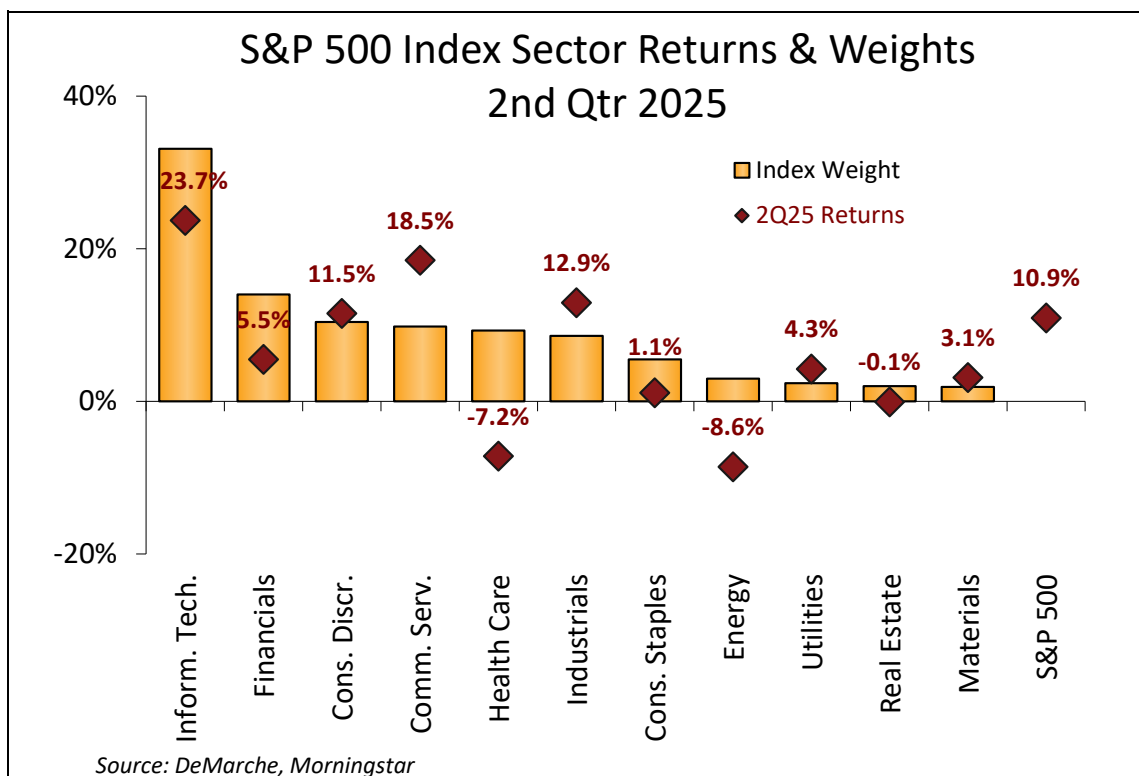
The market, as measured by the S&P 500, bottomed out in early April and then rebounded to new highs after tariff turmoil receded. The U.S. maintained a 10% reciprocal tariff on imports from most countries, with higher, country-specific rates on others. However, a 90-day pause was announced on April 9th for most countries (excluding China, Hong Kong, and Macau), and extended on July 7th until at least August 1st. ~World Bank

Domestic Equities

June 30, 2025

| INDEX | 2nd Qtr | YTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR |
|---------------------|---------|------|--------|--------|--------|---------|
| S&P 500 | 10.9 | 6.2 | 15.2 | 19.7 | 16.6 | 13.6 |
| S&P Mid-Cap 400 | 6.7 | 0.2 | 7.5 | 12.8 | 13.4 | 9.3 |
| S&P Small-Cap 600 | 4.9 | -4.5 | 4.6 | 7.6 | 11.7 | 8.0 |
| Russell 1000 | 11.1 | 6.1 | 15.7 | 19.6 | 16.3 | 13.4 |
| Russell 1000 Growth | 17.8 | 6.1 | 17.2 | 25.8 | 18.1 | 17.0 |
| Russell 1000 Value | 3.8 | 6.0 | 13.7 | 12.8 | 13.9 | 9.2 |
| Russell 2000 | 8.5 | -1.8 | 7.7 | 10.0 | 10.0 | 7.1 |
| Russell 2000 Growth | 12.0 | -0.5 | 9.7 | 12.4 | 7.4 | 7.1 |
| Russell 2000 Value | 5.0 | -3.2 | 5.5 | 7.5 | 12.5 | 6.7 |

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.



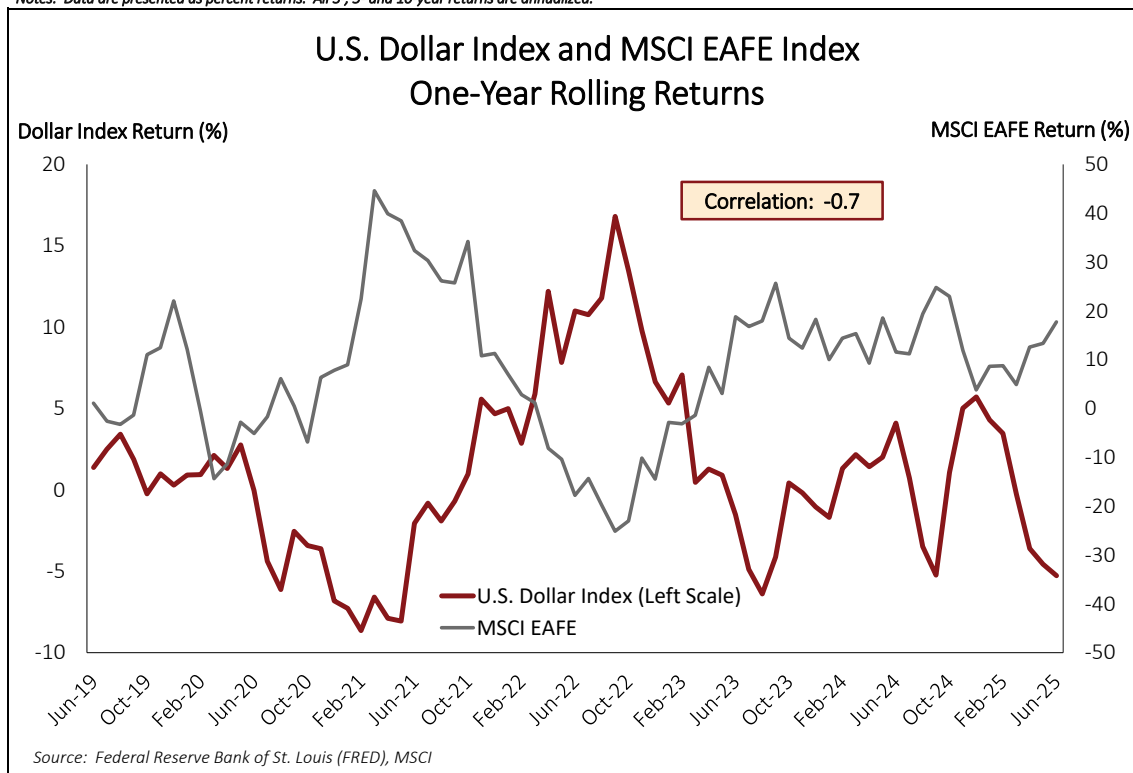
- After lagging value stocks in the first quarter by twelve percentage points, growth stocks rebounded in a big way in the second quarter. Growth stocks were led by tech stocks and outperformed value by 14 percentage points. Tech stocks were up almost 24% in the quarter, erasing their large first quarter drawdown of 12.7%.
- Small cap stocks also posted a strong result, up 8.5% for the quarter. Small cap growth led small cap value in the quarter by seven percentage points. Small cap financials (the largest weight in the value index) performed relatively poorly compared to small cap technology and industrials, which are large weights within the small cap growth index.
- As you can see with the chart to the left, technology still makes up the lion's share of the S&P 500. In addition, its performance in the quarter is a strong rebound from the first quarter. Technology stocks returned 23.7% for the quarter. Other sectors performed exceptionally well but were unable to reach the all-powerful technology sector.

DeFact

By the Price/Earnings measure, stocks in the S&P 500 remain pricey. The ten largest stocks have a current forward P/E ratio of 28.8 times with a long term average of 20.7 times. The remaining 490 stocks have a current forward P/E ratio of 20.7 times with a long term average of 15.8 times. Recall that the top ten names are dominated by the growth oriented companies such as Nvidia, Microsoft and Apple, among others. ~Factset, JP Morgan.

| INDEX | 2nd Qtr | YTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR |
|------------------------|---------|------|--------|--------|--------|---------|
| MSCI EAFE Local | 4.8 | 7.8 | 8.0 | 13.5 | 11.6 | 7.0 |
| MSCI EAFE USD | 11.8 | 19.4 | 17.7 | 16.0 | 11.2 | 6.5 |
| Growth | 13.5 | 16.0 | 11.4 | 13.6 | 7.9 | 6.7 |
| Value | 10.1 | 22.8 | 24.2 | 18.4 | 14.3 | 6.1 |
| MSCI All Country-ex US | 12.0 | 17.9 | 17.7 | 14.0 | 10.1 | 6.1 |
| MSCI AC Asia-ex Japan | 12.5 | 14.5 | 16.8 | 9.2 | 6.4 | 5.4 |
| MSCI Emerging Markets | 12.0 | 15.3 | 15.3 | 9.7 | 6.8 | 4.8 |
| MSCI EAFE Small Cap | 16.6 | 20.9 | 22.5 | 13.3 | 9.3 | 6.5 |
| MSCI Japan | 11.4 | 11.7 | 13.9 | 15.0 | 8.8 | 6.1 |
| MSCI China | 2.0 | 17.3 | 33.8 | 3.1 | -1.0 | 2.1 |
| MSCI Germany | 16.3 | 34.4 | 40.3 | 25.6 | 12.5 | 7.0 |
| MSCI France | 9.3 | 20.5 | 16.4 | 15.5 | 12.1 | 7.7 |
| MSCI UK | 8.7 | 19.3 | 20.0 | 15.2 | 14.0 | 5.4 |

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.



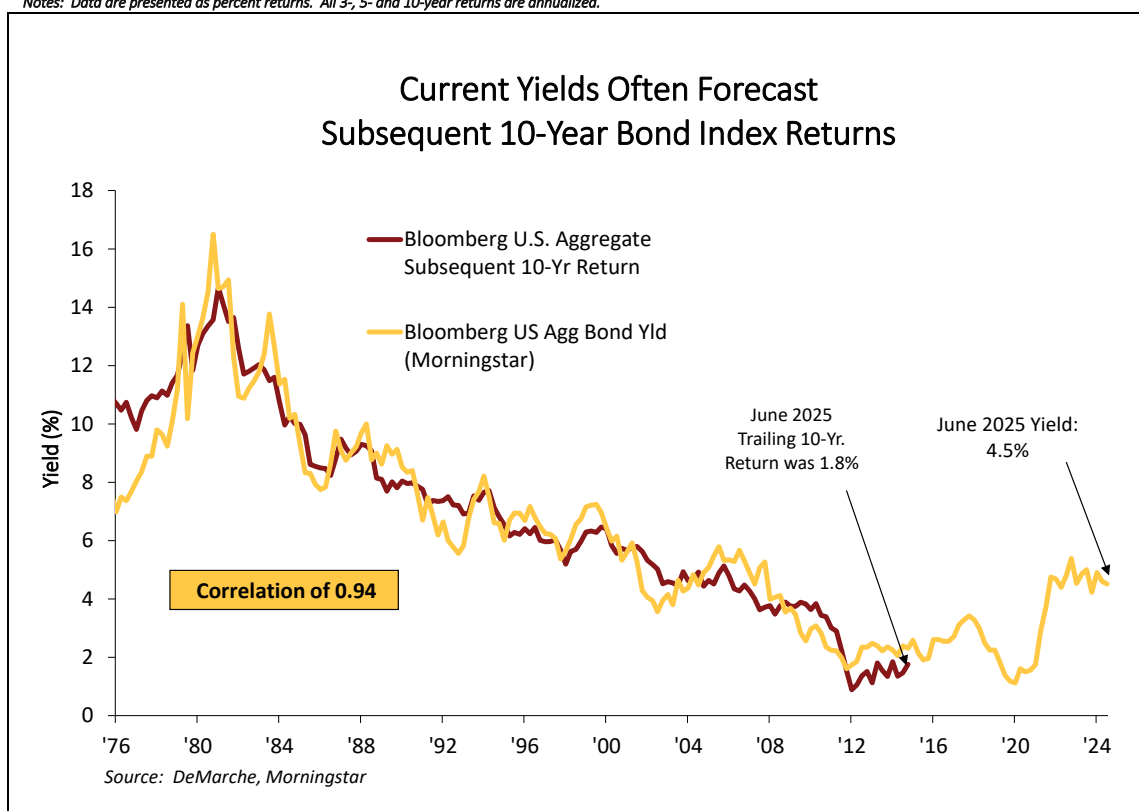
- The U.S. dollar further weakened versus other currencies in the second quarter. That depreciation further boosted foreign stock returns versus domestic returns. Translated from local currency returns, the depreciated dollar added over eleven percentage points to international returns so far in 2025.
- Emerging market stocks performed well in the quarter. Interestingly, Chinese stocks lagged other countries in the Pacific region after posting strong relative return of 15% in the first quarter. Chinese stocks longer term returns still are behind the broader emerging market index. Taiwan and South Korea stock markets posted strong returns versus the broad index in the quarter.
- The chart to the left shows that performance for international stocks are highly negatively correlated to the performance of the U.S. dollar. This correlation means that when the dollar strengthens versus other currencies, the subsequent performance of international stock faces a headwind. Conversely, when the dollar weakens, international stock performance faces a tailwind.

DeFact

European defense contractors continued their strong run in the second quarter. As measured by the European Aerospace ETF (EUAD), the performance of these select 15 companies outperformed the broad EAFE index 28.4% to 11.8% for the quarter. The performance has primarily been driven by the rearmament plan by several countries such as Germany and UK in light of the Ukraine war. ~Select ETF

| INDEX | 2nd Qtr | YTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR |
|-----------------------------------|---------|-----|--------|--------|--------|---------|
| Bloomberg Aggregate | 1.2 | 4.0 | 6.1 | 2.5 | -0.7 | 1.8 |
| Bloomberg 1-3 Gov Credit | 1.3 | 2.9 | 5.9 | 3.8 | 1.6 | 1.8 |
| Bloomberg Gov Credit Long | -0.2 | 3.4 | 3.3 | -0.3 | -4.9 | 1.8 |
| Bloomberg US TIPS | 0.5 | 4.7 | 5.8 | 2.3 | 1.6 | 2.7 |
| ICE BofA Merrill Lynch High Yield | 3.6 | 4.6 | 10.2 | 9.8 | 6.0 | 5.3 |
| S&P UBS Levrgd Loan (bank loans) | 2.3 | 3.0 | 7.5 | 9.5 | 7.4 | 5.1 |
| Bloomberg Global Aggregate | 4.5 | 7.3 | 8.9 | 2.7 | -1.2 | 1.2 |
| JPM EmgMkt Bd Gbl Dvrsfd (hard) | 3.3 | 5.7 | 10.0 | 8.9 | 1.8 | 3.5 |

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.



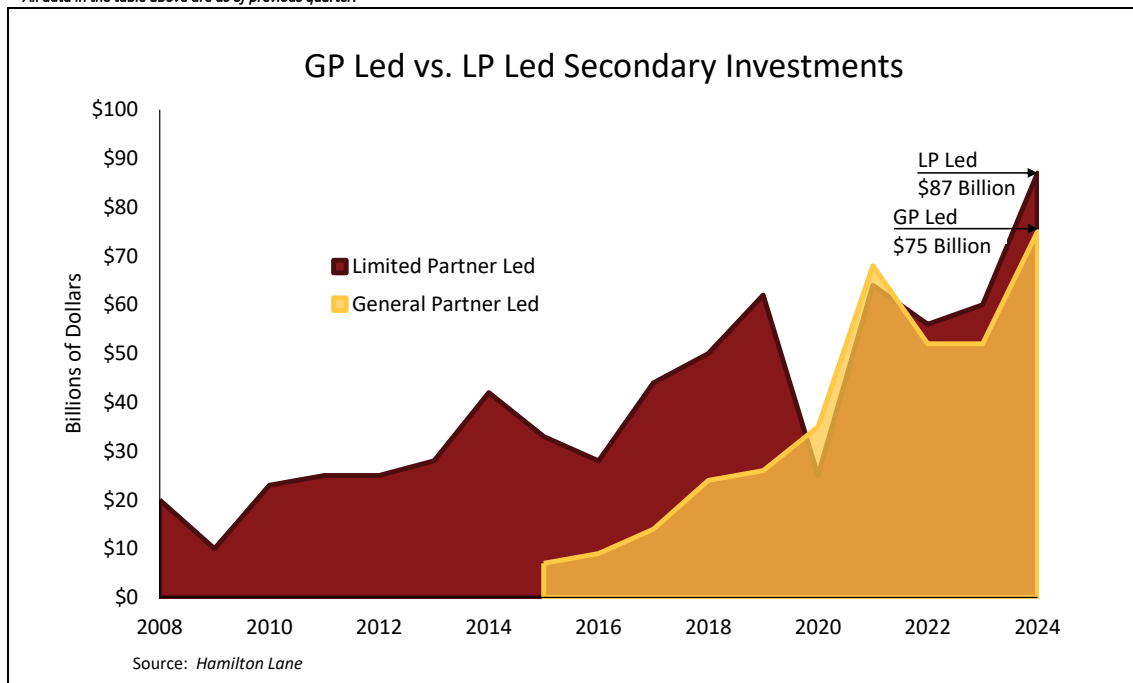
- Interest rates fluctuated throughout the quarter but ended near where they began. As measured by the ten-year Treasury, rates fluctuated between 3.99% and 4.60% in the quarter, given tariff announcement uncertainty. The ten-year opened the quarter at 4.23% and closed at 4.24%.
- The Aggregate posted a modest 1.2% return for the quarter and 6.1% for the past twelve months. Higher coupon rates resulting from the 2022 interest rate increases are flowing through to bond holders. During April and May credit spreads widened out in light of tariff induced economic recession concerns. The widening reversed in May and June.
- High yield bonds posted an attractive return for the quarter and past twelve months. The same phenomena of widening and then tightening credit spreads and volatile interest rates impacted high yield returns, but ultimately the quarterly return was mostly impacted by coupon.
- The chart to the left shows how subsequent long-term returns of bonds are highly correlated to their current yield. It is reasonable to assume investing in the Aggregate now, the subsequent ten-year annualized return would be close to 4.5%, the current yield.

DeFact

The FOMC has remained on hold so far this year as market expectations for the next Fed funds rate cut have been correspondingly pushed out. At the start of the year, the outlook was that there would have already been a 25 basis point cut by now and then one additional 25 basis point cut by the end of the year. As things sit right now, markets are expecting the first cut to happen either in September or October and then one additional cut in December. ~CME

| INDEX | Qtr | YTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR |
|------------------------------|------|------|--------|--------|--------|---------|
| NCREIF ODCE | 1.1 | 1.1 | 2.0 | -4.3 | 2.9 | 5.6 |
| NCREIF Property (Private RE) | 1.3 | 1.3 | 2.9 | -2.0 | 3.3 | 5.4 |
| Residential | 1.3 | 1.3 | 3.8 | -0.9 | 4.4 | 5.6 |
| Industrial | 1.3 | 1.3 | 3.9 | 1.0 | 12.3 | 12.8 |
| Office | 0.9 | 0.9 | -3.0 | -7.6 | -3.2 | 1.9 |
| Retail | 1.8 | 1.8 | 6.5 | 2.2 | 1.4 | 3.3 |
| NCREIF Timberland | 0.8 | 0.8 | 5.6 | 8.9 | 7.9 | 5.3 |
| NCREIF Farmland | 0.1 | 0.1 | -1.7 | 3.6 | 4.9 | 5.7 |
| HFR FOF Composite | -0.6 | -0.6 | 2.6 | 3.3 | 6.7 | 3.3 |
| Conservative | 0.9 | 0.9 | 4.7 | 4.2 | 7.0 | 3.6 |
| Diversified | 0.5 | 0.5 | 5.7 | 4.6 | 7.4 | 3.7 |
| Preqin Private Equity | 1.6 | 1.6 | 7.3 | 3.8 | 15.7 | 13.6 |
| Preqin Private Debt | 1.8 | 1.8 | 7.9 | 7.5 | 10.8 | 8.5 |
| Preqin Infrastructure | 1.9 | 1.9 | 9.2 | 9.2 | 11.2 | 9.9 |

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.
All data in the table above are as of previous quarter.



- Real estate returns generated another positive quarter in March. Real estate has now posted three positive quarters in a row. The decimation of real estate values in the wake of Covid and significantly higher interest rates now seems to be in the past.
- Farmland returns have gone through a drought here recently. Crop input costs have been a drag, impacting profits for permanent crops such as nuts and fruit. Row crops remain more stable, especially row crop farmland with sustainable water resources.
- The chart to the left shows the increase of GP led secondary investments in the private equity space. The trend line we are seeing is that General partners want to stay invested in their best ideas (instead of selling) and are creating secondary funds once vintage year funds wind down. This opens up opportunities for investors to stay invested in best ideas.

DeFact

Despite the bottoming of real estate valuations that seems to be upon us, warehouse vacancies are at the highest point of any time in the past eleven years. Average vacancies across the U.S. ticked up to 7.1% from 6.9% in the first quarter. Businesses built up inventories ahead of anticipated tariffs, then pared back orders in the second quarter. Lastly, developers have pulled back on new construction in the face of weakening demand. ~WSJ

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Each economic cycle and every year hold challenges for institutional investors. 2025, however, could be in a league of its own. Forces such as global trade realignment, artificial intelligence, regulatory change, and shifting budgetary priorities are fueling a new wave of disruption, driving a prolonged transition that could fundamentally reshape the performance drivers of institutional portfolios.

Our theme this year, **Disruption 2.0**, explores the fact that global disruptors are emerging more frequently and with greater speed than ever before. Exposure, diversification, and asset classes must all be reevaluated. New defensive and opportunistic strategies must be considered. In a world marked by growing uncertainty, understanding these changes and adapting to them is critical.

DeMarche's expert consultants and invited industry leaders will analyze the evolving landscape of institutional investing. We'll assess how economic, market, and geopolitical cycles influence portfolio performance and identify opportunities to meet return objectives.

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