

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 08/31/2025

Global Overview

In August, U.S. equities advanced on expectations of a September Fed rate cut, with small caps and value stocks leading as lower borrowing costs favored more rate-sensitive segments. Treasury yields fell at the front end, steepening the curve and supporting gains across fixed income. Internationally, modest GDP growth in Europe, resilience in Japan, and a weaker dollar helped drive the MSCI EAFE up 4.3%, while emerging markets rose 1.3%, with Chinese strength offset by India's tariff-driven selloff. In the news, President Trump's Executive Order opened the \$12 trillion 401(k) market to private investments, creating both fee-pressure and new growth opportunities for private equity.

U.S. Markets & Economy

Domestic equities advanced in August, with major indexes reaching record highs as investor optimism around anticipated Federal Reserve policy and a resilient economic backdrop supported gains. The S&P 500's 2.0% gain in August represented a dovish shift in Fed expectations, continued strength from mega-cap tech, and broader sector participation. Consumer confidence experienced a modest uptick from 97.2 to 97.4 for the month, suggesting that household sentiment remains resilient and consistent with that outlook. Similarly, ISM Manufacturing PMI experienced a slight increase from 48.0 to 48.7 in August echoing the stability seen in Consumer sentiment and indicating the economy continues to cool without slipping into recession. Initial jobless claims rose to 237,000 in August from 218,000 in July, underscoring a softening labor market, and bolstering expectations for a September rate cut. Because smaller companies rely more heavily on borrowing, expectations for lower rates and a reduced cost of capital make small caps beneficiaries of easing. In turn, small caps stole the spotlight in August, with the Russell 2000 returning 7.1% and outperforming the Russell 1000's 2.1% gain. A similar dynamic played out in style performance, as rotation toward more rate-sensitive sectors drove outperformance in value oriented stocks. The effect was most pronounced in small caps, with the Russell 2000 Value up 8.5% versus a 5.9% gain for the Russell 2000 Growth. Among large caps, the Russell 1000 Value returned 3.2%, outpacing the Russell 1000 Growth's 1.1% increase for the month.

While inflation remains a wildcard, mounting labor market concerns have taken precedence, leaving markets heavily pricing in a September rate cut. As a result, the Treasury yield curve steepened in August, with short-term yields falling to reflect anticipated easing. Lower yields supported broad-based gains across domestic fixed income, as the Bloomberg U.S. Aggregate, Bloomberg U.S. High Yield, and Bloomberg U.S. Government Credit Indexes returned 1.2%, 1.2%, and 1.1%, respectively. Credit spreads were relatively stagnant, with high yield corporates narrowing slightly from 286 to 284 basis points, while investment grade corporates widened modestly from 79 to 81 basis points.

International Markets & Economy

The seasonally adjusted GDP in the euro area rose by 0.1% in the second quarter, while the wider EU grew by 0.2%. This marked a slowdown from the first quarter, when GDP expanded by 0.6% in the eurozone and 0.5% in the EU. Germany's economy shrank 0.3% as manufacturing, construction, and household spending weakened, reversing its Q1 growth and extending a two-year contraction. Chancellor Friedrich Merz has prioritized revitalizing the economy since taking office in May. Japan's GDP rose 2.2% annualized in Q2 as export volumes held up well against new U.S. tariffs, giving the central bank some of the conditions it needs to resume interest rate hikes this year. This was its fifth straight quarter of growth after a prior revision. Still, officials estimate U.S. tariffs could trim 0.3–0.4% from real GDP, with automakers facing pricing pressures. China's industrial output grew 5.7% in July, down from 6.8% in June and the weakest since November 2024. Retail sales slowed to 3.7%, the lowest since December 2024. A temporary U.S.–China trade truce has prevented tariff hikes from escalating further. International stocks performed well in August, driven by robust returns in Japan, Europe, and the United Kingdom. Coupled with the longer-term tailwind of a weaker U.S.

DeMarche Dashboard

Data and Commentary for Periods Ended 08/31/2025

August 2025

Page 2 of 6

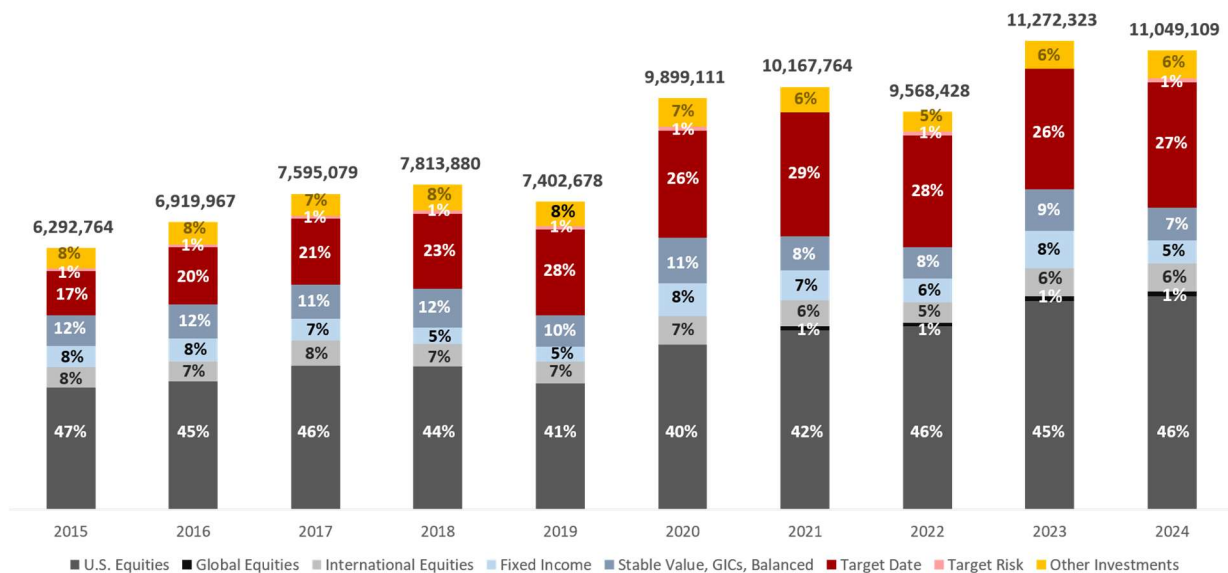
dollar, these factors contributed to the MSCI EAFE Index's 4.3% return. The MSCI Emerging Markets Index returned 1.3% for the month, driven by robust gains in Chinese equities but constrained by weakness in India. Indian markets sold off after the U.S. announced an additional 25% tariff on its exports, raising the total to 50% in response to India's ongoing purchases of Russian oil.

In the News

Last month, President Trump issued an Executive Order opening 401(k)s and other employer-sponsored retirement plans to private market assets. The Department of Labor and the SEC, within 180 days, will reexamine and revise policies and guidance on plan fiduciary duties and processes, prioritizing actions that may "curb ERISA litigation that constrains fiduciaries' ability to apply their best judgment in offering investment opportunities to plan participants." This Order removes the last major hurdle for the private equity industry to gain access to the \$12 trillion U.S. defined contribution (DC) retirement plan market. Currently, only about 1% of assets in this domain are allocated to private markets, largely due to plan sponsors' fear of litigation over offering expensive funds in their DC plans. The traditional 2% management fee plus 20% carried interest structure in place with many private funds, is relatively high compared to public market offerings. Preqin data show that more than 80% of funds set profit sharing at 20%, and at least two-thirds still charge management fees of 2%. By comparison, the average management fee is 0.51% for ETFs and 1.01% for mutual funds, according to Morningstar. To capture a share of the 128 million-participant DC market, private managers may need to differentiate themselves by lowering fees. Unlike in the institutional market, where contracts are negotiated privately, federal law requires full fee disclosure in 401(k) plans, creating transparency that could pressure private managers to lower costs. The marrying of DC plans and private investments could be mutually beneficial. According to private markets firm Partners Group, about 87% of U.S. companies with annual revenues over \$100 million are now private, demonstrating the shrinking universe of public companies. At the same time, private equity has struggled to raise capital and make distributions amid weak IPO and M&A activity. Entry into the \$12 trillion 401(k) market could provide a new growth engine for an industry currently managing \$3.1 trillion.

Chart of the Month

U.S. DC Plan Assets' 10-year compound growth of 6.5% will bring Significant Market Space for the \$3 Trillion Private Investment Industry (\$m)



Source: Fred.com, Coalition Greenwich

DeMarche Dashboard

Data and Commentary for Periods Ended 08/31/2025

August 2025

Page 3 of 6

Capital Markets Overview

		TRAILING			ANNUALIZED			
		1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr
Broad Market	MSCI World NR USD	2.61	8.41	13.78	15.68	18.50	12.89	11.65
	Bloomberg US Agg Bond TR USD	1.20	2.48	4.99	3.14	3.02	(0.68)	1.80
	Russell 3000 TR USD	2.31	9.88	10.58	15.84	18.81	14.11	13.98
	DJ Industrial Average TR USD	3.42	8.22	8.30	11.45	15.27	12.04	13.12
	NASDAQ Composite PR USD	1.58	12.25	11.11	21.12	22.00	12.75	16.21
	MSCI EAFE NR USD	4.26	5.06	22.79	13.87	17.04	10.15	7.40
	FTSE Treasury Bill 3 Mon USD	0.37	1.11	2.97	4.69	4.92	3.03	2.09
	Bloomberg Commodity TR USD	1.93	3.91	7.07	11.77	(0.81)	10.30	3.38
Domestic Equities	S&P 500 TR USD	2.03	9.62	10.79	15.88	19.54	14.74	14.60
	S&P MidCap 400 TR	3.39	8.83	5.28	6.86	12.00	12.76	10.41
	S&P SmallCap 600 TR USD	7.06	12.43	3.23	3.51	8.62	11.64	9.53
	Russell 1000 TR USD	2.10	9.66	10.76	16.24	19.31	14.34	14.33
	Russell 1000 Growth TR USD	1.12	11.63	11.33	22.58	25.03	15.25	17.92
	Russell 1000 Value TR USD	3.19	7.33	10.01	9.33	12.88	12.97	10.22
	Russell Mid Cap TR USD	2.50	8.30	9.45	12.58	13.60	12.02	10.88
	Russell Mid Cap Growth TR USD	1.00	7.54	13.14	26.42	19.37	11.01	12.96
	Russell Mid Cap Value TR USD	3.00	8.53	8.12	8.24	11.18	12.86	9.45
	Russell 2000 TR USD	7.14	14.93	7.06	8.17	10.28	10.13	8.88
	Russell 2000 Growth TR USD	5.91	14.06	7.20	10.48	11.55	7.07	8.75
	Russell 2000 Value TR USD	8.47	15.85	6.90	5.83	8.84	13.06	8.62
International Equities	MSCI ACWI Ex USA NR USD	3.47	6.67	21.64	15.42	15.15	8.94	7.33
	MSCI EAFE NR USD	4.26	5.06	22.79	13.87	17.04	10.15	7.40
	MSCI EAFE Growth NR USD	2.81	2.37	15.63	5.56	12.94	5.97	7.22
	MSCI EAFE Value NR USD	5.72	7.84	30.21	22.65	21.26	14.28	7.32
	MSCI Japan NR USD	6.95	7.26	17.83	12.94	15.94	8.67	7.22
	MSCI AC Asia Ex Japan NR USD	1.10	9.97	18.72	18.96	11.02	4.72	7.59
	MSCI Europe NR USD	3.44	3.69	25.02	13.28	18.46	10.99	7.41
	MSCI United Kingdom NR USD	3.66	6.03	24.69	16.49	17.72	13.90	6.56
	MSCI EAFE Small Cap NR USD	4.63	9.08	26.38	18.77	14.27	7.97	7.38
Fixed Income	MSCI EM NR USD	1.28	9.47	19.02	16.80	10.82	5.21	6.92
	Bloomberg US Govt/Credit TR USD	1.05	2.31	4.81	3.00	3.06	(0.83)	1.95
	Bloomberg US Govt/Credit Interm TR USD	1.22	2.16	5.26	4.70	4.08	0.73	2.12
	Bloomberg US Govt/Credit Long TR USD	0.53	2.80	3.42	(2.03)	(0.03)	(5.18)	1.65
	ICE BofA US High Yield TR USD	1.22	3.51	6.25	8.15	9.19	5.15	5.71
	VettaFi US High Yield USD	1.22	3.51	6.08	7.79	9.04	5.27	5.65
	Morningstar LSTA US LL TR USD	0.45	2.14	4.17	7.30	8.86	7.00	5.36
	FTSE WGBI NonUSD USD	1.58	1.03	8.52	2.79	2.72	(4.39)	(0.22)
REITs	Bloomberg Gbl Agg Ex USD TR USD	1.66	1.28	9.03	3.60	3.54	(2.71)	0.50
	FTSE Nareit All REITs TR	3.46	2.53	4.20	(1.51)	3.22	6.20	6.70
	Wilshire US REIT TR USD	4.37	2.93	3.27	0.68	6.12	8.41	6.71

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

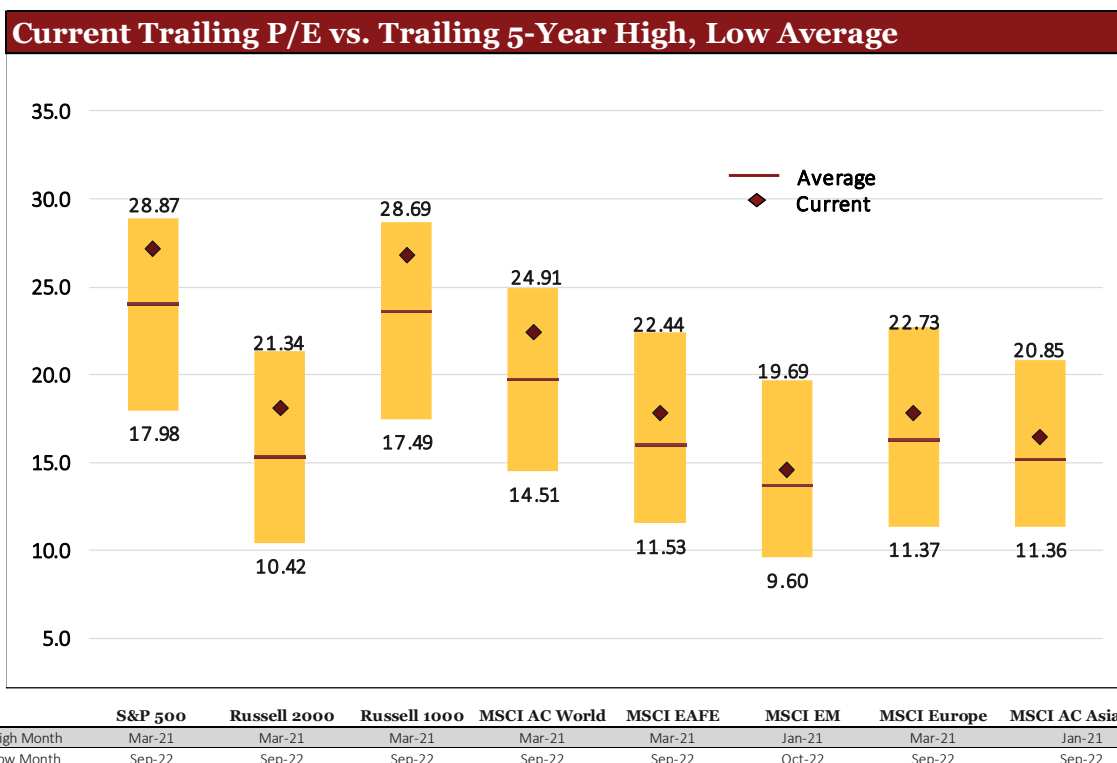
Source: Morningstar

DeMarche Dashboard

Data and Commentary for Periods Ended 08/31/2025

August 2025

Page 4 of 6



Source: Morningstar; Data as of 08/31/2025

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2025 ¹	2026 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	3.30	1.57	1.53	4.20	4.27	-	-	3.10
China	1.10	4.75	4.34	5.20	1.77	7.13	7.10	0.80
Japan	0.30	0.74	0.43	2.30	1.61	146.90	144.98	3.10
United Kingdom	0.30	1.33	1.05	4.70	4.81	1.35	1.32	3.80
Euro Area	0.10	1.00	1.20	6.20	3.24	1.17	1.11	2.30
Germany	-0.30	0.39	1.25	6.30	2.78	1.17	1.11	2.70
France	0.30	0.64	0.94	7.50	3.59	1.17	1.11	1.50
Italy	-0.10	0.64	0.68	6.00	3.70	1.17	1.11	2.00
Canada	-0.40	1.04	1.07	6.90	3.46	1.37	1.35	2.60
India	2.00	6.28	6.38	5.20	6.58	87.57	83.89	4.95
Mexico	0.60	0.45	1.05	2.80	8.77	18.64	19.79	4.23
Brazil	0.40	2.05	1.64	5.80	14.06	5.43	5.64	5.17

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2025 & 2026 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

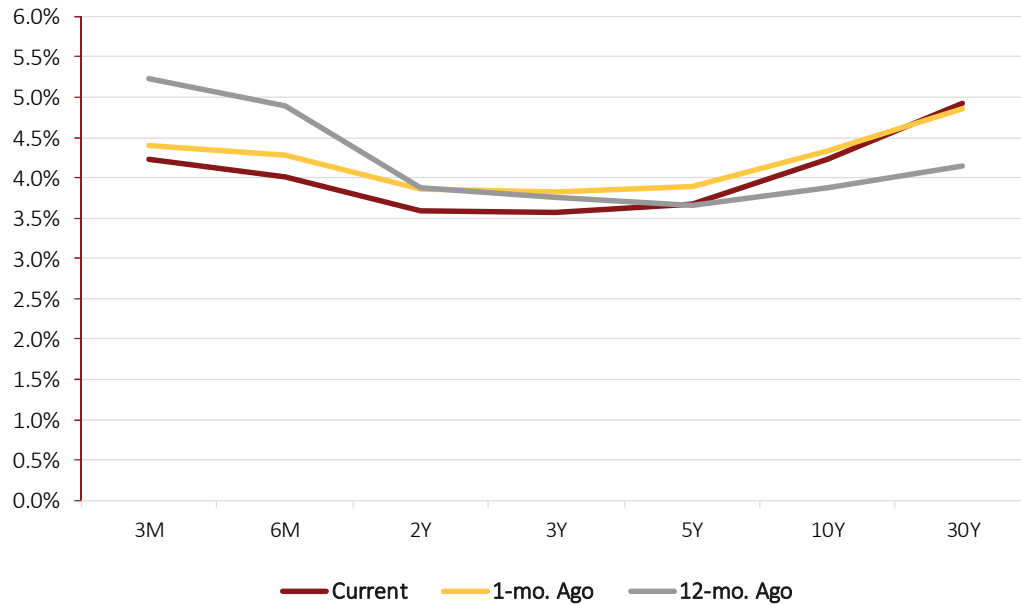
DeMarche Dashboard

Data and Commentary for Periods Ended 08/31/2025

August 2025

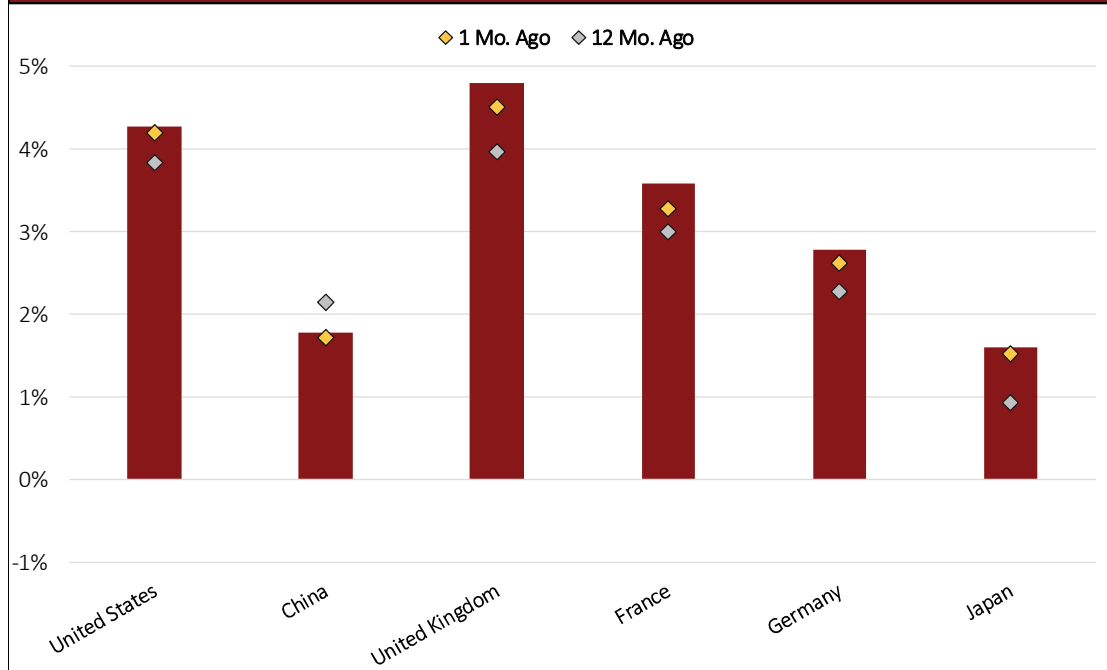
Page 5 of 6

U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 08/31/2025

10-Year Sovereign Yields



Source: Trading Economics; Data as of 08/31/2025

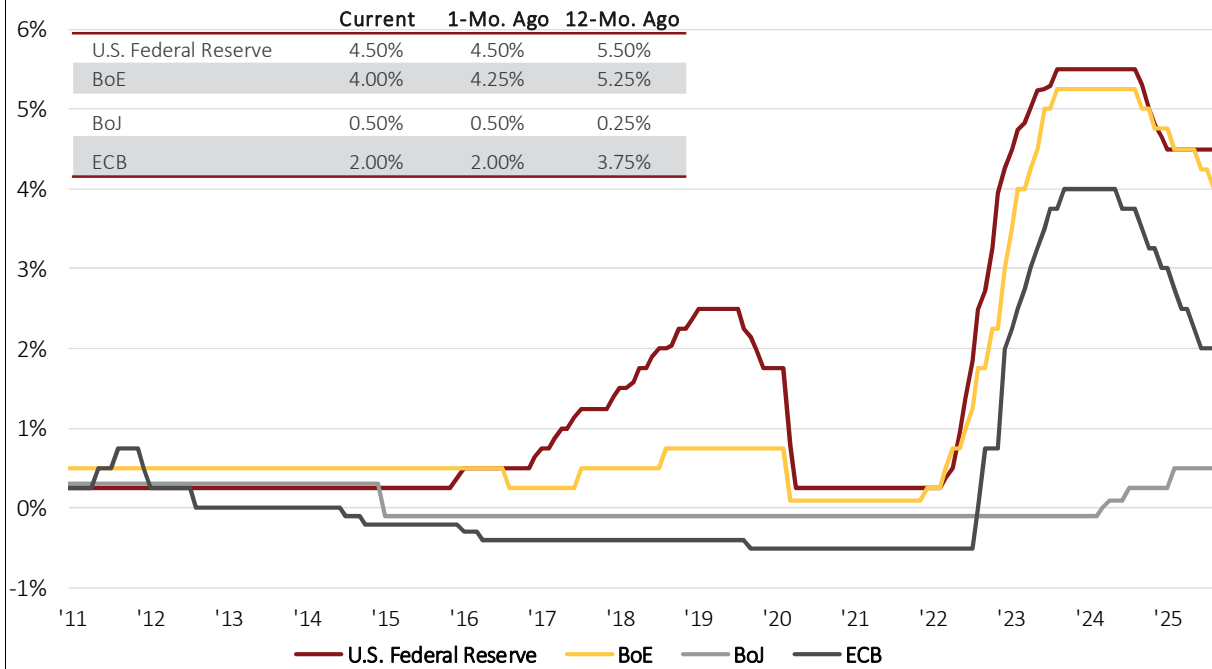
DeMarche Dashboard

Data and Commentary for Periods Ended 08/31/2025

August 2025

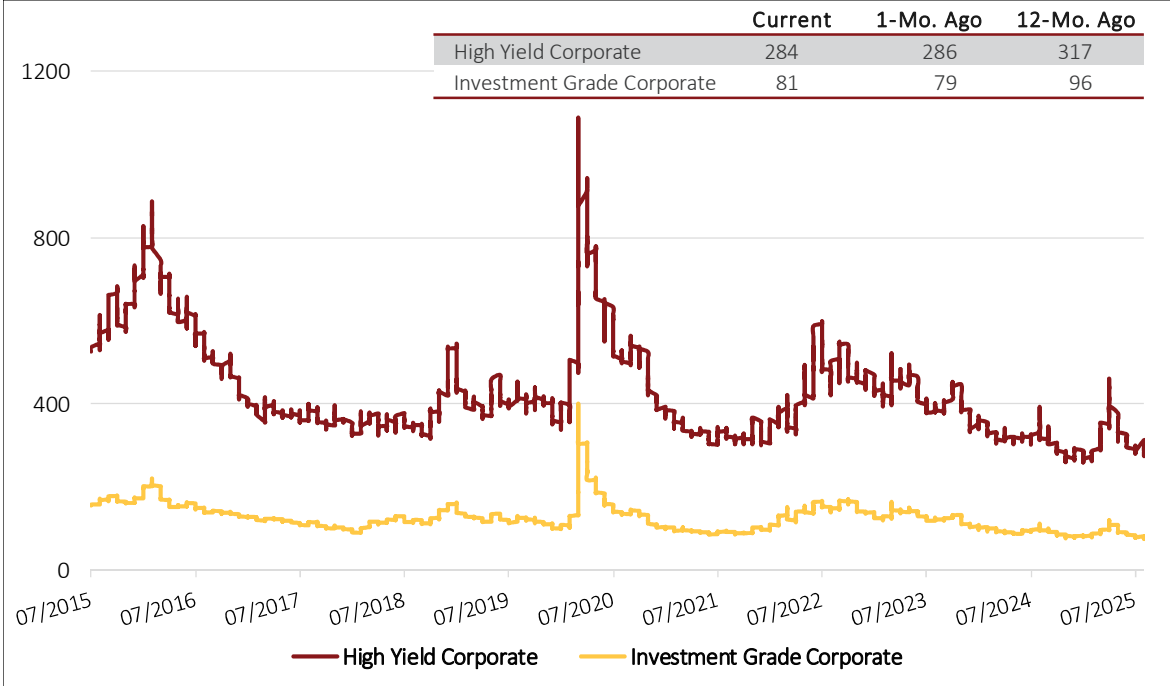
Page 6 of 6

Central Bank Policy Rates



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 08/01/2025

Corporate Bond Average Spread (basis points)



Source: Federal Reserve Bank, Bank of America; Data as of 08/31/2025