WINTHROP WEALTH

May 2025 Market Recap

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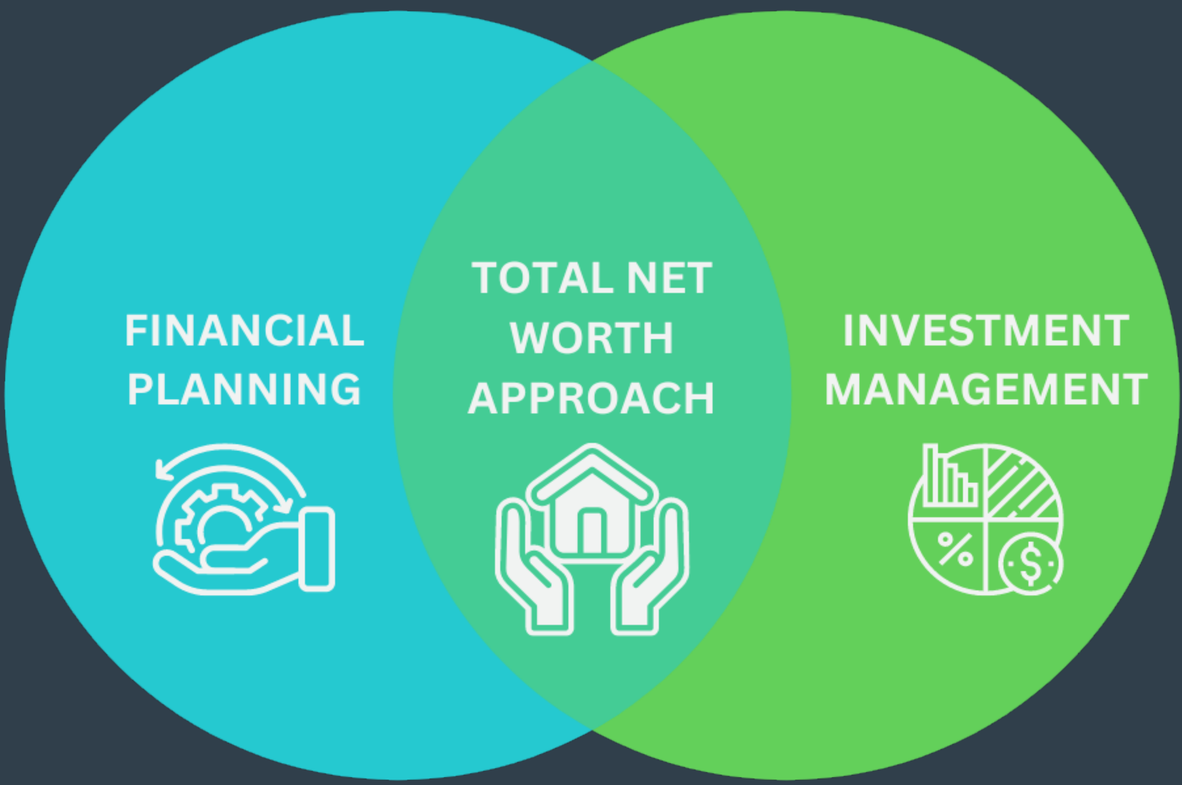

At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *For clients who receive both financial planning and investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

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The US equity market continued its powerful rebound in May, with the S&P 500 surging +6.3% - marking the best monthly gain since November 2023. This sharp rally follows a significant drawdown earlier in the year, when the index fell nearly -19% from its February 19th peak to the April 8th trough. Since that low, the S&P 500 has climbed +19% through month-end, erasing most of its earlier losses. The index is now up +1.1% year-to-date and sits just -3.4% below its all-time high. The market rebound was due to tariff de-escalation and corporate earnings exceeding expectations.

This most recent market decline and rebound reinforces our belief in the importance of maintaining a long-term perspective. Please see our Principles for Long-Term Investing.

- **Tariff Tensions and Negotiations:** Although the ride was somewhat calmer than last month, investors remain on Trump's Tariff Rollercoaster, with new announcements almost daily. The US Court of International Trade blocked some of the tariffs, but the Trump administration is appealing and exploring alternative implementation options. Below are the latest developments:
    - **China:** On May 12th, the two countries announced a significant easing of tariffs, with the US reducing its rate from 145% to 30% and China cutting from 125% to 10%. The tariff reductions are set to remain in place for 90 days to allow time for further negotiations. However, by May 30th, President Trump posted that China had already "totally violated its agreement." We expect either another meeting between the two countries or a tariff increase soon.
    - **European Union:** On May 23rd, President Trump posted that talks with the EU were "going nowhere," and he therefore threatened to impose a 50% tariff on goods starting June 1st. Two days later, following a positive phone call, the President stated that he was extending the deadline to July 9th while the two sides continue negotiations.
    - The environment remains very fluid, with new headlines on tariffs and negotiations occurring constantly. As we stated in our Post-Election commentary, President Trump used the threat of tariffs with some success during his first administration, although it created market volatility and weighed on the economy. We hope that the current round of tariffs and negotiations ultimately leads to more favorable trade terms for the US, stronger protections for intellectual property, and the onshoring of critical supply chains—without causing lasting harm to economic growth or business and consumer confidence.

- **Earnings Outpace Estimates:** According to FactSet, S&P 500 earnings rose by +12.9% in the first quarter, exceeding the initial expectation of +7.2%. Earnings are projected to grow by +9.0% in 2025 and +13.5% in 2026.

- **Sector Scoreboard:** Ten of eleven sectors advanced in May, with Technology (+10.9%) and Consumer Discretionary (+9.4%) topping the leaderboard. Health Care (-5.6%) lagged primarily due to the decline in UnitedHealth Group (-26.6%).

- **Upcoming Catalysts:** BLS Employment Report (6/6), CPI Inflation (6/11), Retail Sales (6/17), FOMC Meeting (6/18).

Short-Term Outlook: While we're encouraged by the market rebound toward all-time highs, we recognize that the primary driver of this year's market volatility - tariffs - will likely remain an overhang. We've seen continued evidence that President Trump uses tariffs as a dial, adjusting them based on the status of ongoing negotiations and the state of the markets. A stock market rally may embolden the President to escalate tariffs and increase pressure on other countries. Conversely, a market selloff often prompts him to soften his tone and either delay or remove tariffs. In our view, the environment suggests continued volatility, with the market likely to remain in a wide trading range over the coming months - until investors gain more clarity on tariffs, tax policy, inflation, corporate earnings, and the overall health of the labor market and economy.

As we outlined in our Navigating Volatile Markets commentary, during periods of market stress, we believe that having the right mindset, a comprehensive financial plan, and a thorough investment process can provide confidence in working toward your long-term financial goals. During inevitable market declines, while they can certainly be uncomfortable, we seek to utilize the volatility as an opportunity to make lemonade out of lemons by tax-loss harvesting or reallocating to more attractive securities. **In many of our managed portfolios, we looked for tax-loss harvesting opportunities and rebalanced into equities where appropriate during the market selloff in early April.** During difficult market periods, we believe those who were able to either stay invested, rebalance, or add to their existing holdings will eventually be rewarded. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. Consider your own risk tolerance, financial circumstances, and time horizon.*

All data sourced from Bloomberg as of 5/31/2025

Fixed Income Markets

Interest Rates

Treasury yields increased throughout the month. As a reminder, the Federal Reserve influences short-term interest rates by setting the Federal Funds rate, while the market determines long-term yields based on supply dynamics and investor demand, which vary with expectations of future inflation and economic growth.

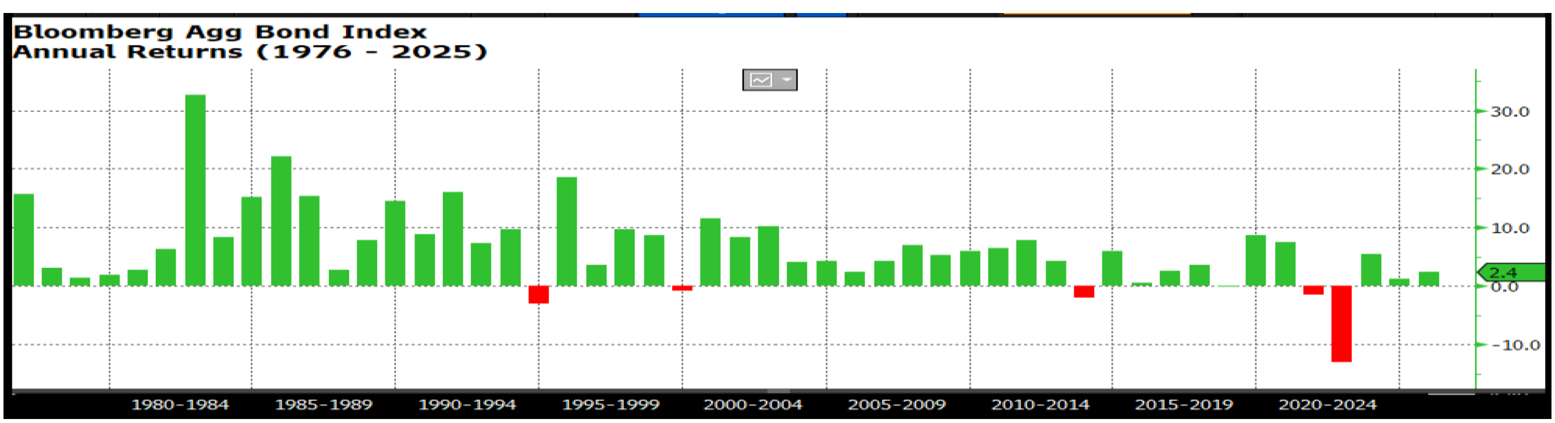
- **Short-Term Treasury Yields:** According to Bloomberg, market pricing indicates about two rate cuts this year, so short-term yields should decline further. Short-term yields were above +5% for most of 2023 and 2024.
    - Month-end levels: 3-Month: 4.33% (+0%), 6-Month: 4.31% (+0.1%), 12-Month: 4.10% (+0.2%).
    - Investing in short-term Treasuries with +5% yields was a great strategy over the past several quarters, but we believe that opportunity has passed, and investors now face reinvestment risk with lower rates at maturity. We suggest using short-term Treasuries to fund anticipated liabilities, and to invest any excess cash in longer maturities or in a diversified portfolio. *Investing involves risk including loss of principal. No strategy assures success or protects against loss.*
- **Long-Term Treasury Yields:** Increased throughout the month due to expectations that lower tariffs will boost economic growth and concerns that President Trump's "big, beautiful" budget bill, will further increase the deficit.
    - Month-end levels: 10-Year: 4.40% (+0.2%), 30-Year: 4.93% (+0.3%).
    - Moody's also followed Fitch (2023) and S&P (2011) in downgrading US debt by one notch below AAA, citing concerns over the deficit and rising interest rate costs. We hope this serves as a wake-up call to Congress. In our opinion, reducing the deficit and slowing the growth of federal debt would significantly help stabilize long-term interest rates.

Intermediate-Term Bonds

The Bloomberg US Aggregate Bond index (Agg), which acts as a proxy for the intermediate-term investment-grade bond market, decreased by -0.7% as the 10-Year Treasury yield increased. The Agg is now higher by +2.5% in 2025. As a reminder, bond prices move inversely to interest rates and credit spreads. Please see our Bond Primer.

After some challenging periods over the last few years and negative results in the month, we continue to recommend a patient approach for intermediate term bonds. All else equal, we expect intermediate-term bonds to provide both ballast and positive returns once yields either stabilize or decline. Bonds did provide ballast during the recent bout of market volatility earlier this year, gaining +1% while the equity market declined by nearly -19%. We'll also highlight that bonds have performed well in a relatively stable year-end interest rate environment over the past year. The Agg has increased by +5.8%, and while rates fluctuated within a wide range, the 10-Year Treasury yield ended nearly flat - down just 10 basis points, from 4.5% to 4.4%.

In our opinion, intermediate-term bonds remain an attractive investment opportunity, as the yield to maturity on the US Aggregate Bond Index ended May at 4.7%. Yield to maturity is defined as the estimated annualized rate of return an investor can expect on a bond if purchased today and held to maturity, assuming the issuer makes all their interest and principal payments (i.e., no defaults). In our view, patient investors should be optimistic about intermediate-term fixed income returns over the next several years. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*



Source: Bloomberg.

Monetary Policy

The new Administration is in the process of implementing substantial policy changes in four distinct areas: trade, immigration, fiscal policy, and regulation. If the large increases in tariffs that have been announced are sustained, they are likely to generate a rise in inflation, a slowdown in economic growth, and an increase in unemployment. For the time being, we're well positioned to wait for greater clarity before considering any adjustments to our policy stance.

- Fed Chair Jerome Powell, FOMC Meeting Press Conference (May 2025)

Interest Rates: At their May 7th meeting, the FOMC left the top end of the Federal Funds rate unchanged at 4.50%. The FOMC's most recent Summary of Economic Projections (SEP) showed that the median participant expects they will lower rates to 3.9% in 2025 and to 3.4% in 2026. According to Bloomberg, market pricing indicates about two 0.25% rate cuts this year, with the first expected in September. The next FOMC meeting is on June 18th.

The FOMC is stuck between a rock and a hard place regarding future interest rate cuts, as tariffs are likely to put upward pressure on inflation while simultaneously weighing on economic growth. The policy dilemma is clear: should the Fed lower interest rates to support the economy, potentially fueling further inflation, or hold steady—or even raise rates—at the risk of a material slowdown in the labor market and possibly a recession? Given the current uncertainty, the Fed is likely to remain in a wait-and-see mode over the coming months as it seeks greater clarity on trade policy developments and the economy's response. This data-dependent approach allows the FOMC to avoid premature policy decisions that could either stoke inflation or further dampen economic momentum.

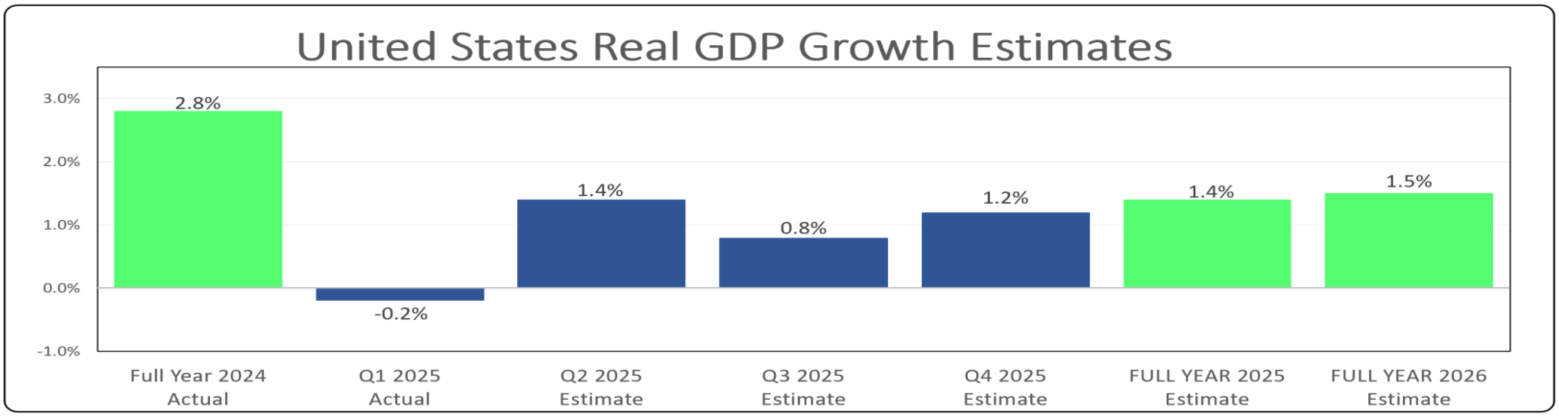
It's also worth noting that Fed Chair Powell recently met in person with President Trump for the first time since November 2019. According to the White House, the President urged Chair Powell to lower interest rates. The Fed, however, stated that Chair Powell emphasized monetary policy decisions would be based solely on "careful, objective, and non-political analysis." We fully expect President Trump to continue pressuring Chair Powell and the Fed to lower rates. As we stated last month, we hope the President will respect the Fed's independence and allow Chair Powell to complete his term - running through May 2026 - without the ongoing threat of being fired.

US Economy

The immediate challenge is obviously navigating the impact of tariffs here in the US. We will do our best to keep our prices as low as possible. But even at the reduced levels, the higher tariffs will result in higher prices.

- Doug McMillon, President and CEO, Walmart Inc., Q1 Earnings Call (May 2025)

As of the end of May, there is some evidence that tariffs are weighing on economic growth, though their impact has yet to appear in inflation statistics. While economic growth is expected to rebound from the disappointing -0.2% seasonally adjusted annualized GDP reading in the first quarter, the economy is projected to grow just +1.4% in 2025 - well below the +2.7% average over the past three years. Additionally, continuing jobless claims - the number of individuals receiving ongoing unemployment benefits - have risen to a one-year high of 1.92 million. Although inflation appears benign, with Core PCE inflation at 2.5% year-over-year in April, many companies - including Walmart - have warned that higher prices are likely in the coming months. Going forward, the trajectory of economic growth and inflation will largely depend on developments in trade policies and how businesses and consumers adjust to changing conditions.



Source: Bloomberg.

MAY 2025 MARKET RETURNS

US Equity

Index	May	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	6.29%	1.06%	25.00%	26.26%	-18.13%	28.68%	18.39%	13.50%	14.38%	15.91%	12.83%	10.45%
Russell 3000	6.34%	0.63%	23.80%	25.93%	-19.22%	25.64%	20.88%	13.10%	13.74%	15.31%	12.19%	10.28%
Dow Jones Industrial Average	4.16%	0.08%	14.99%	16.18%	-6.86%	20.95%	9.72%	11.16%	10.78%	12.93%	11.32%	9.83%
Nasdaq	9.65%	-0.73%	29.60%	44.70%	-32.51%	22.21%	45.05%	15.04%	17.46%	15.94%	15.31%	12.93%
S&P 400	5.39%	-3.27%	13.89%	16.39%	-13.10%	24.73%	13.65%	2.15%	7.77%	12.89%	8.69%	9.40%
Russell 2000	5.34%	-6.85%	11.52%	16.88%	-20.46%	14.78%	19.93%	1.17%	4.99%	9.60%	6.61%	7.65%
Russell 1000 Growth	8.85%	-0.27%	33.35%	42.67%	-29.14%	27.59%	38.49%	17.61%	19.82%	17.68%	16.07%	12.61%
Russell 1000 Value	3.51%	2.50%	14.35%	11.41%	-7.56%	25.12%	2.78%	8.89%	8.12%	12.98%	8.57%	7.96%

International Equity

MSCI Index	May	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
EAFE	4.58%	16.87%	3.82%	18.24%	-14.45%	11.26%	7.82%	13.33%	11.44%	11.41%	5.97%	5.76%
Europe	5.42%	24.64%	2.64%	22.94%	-17.86%	13.54%	7.89%	17.18%	15.24%	13.83%	6.89%	5.55%
Japan	4.05%	9.86%	8.31%	20.32%	-16.65%	1.71%	14.48%	11.17%	11.28%	8.38%	5.70%	5.05%
China	2.74%	13.13%	19.42%	-11.20%	-21.93%	-21.72%	29.49%	26.55%	3.99%	-0.01%	1.15%	7.92%
Emerging Markets	4.27%	8.73%	7.50%	9.83%	-20.09%	-2.54%	18.31%	13.04%	5.15%	7.07%	3.93%	6.31%
All Country World (ACWI)	5.75%	5.32%	17.49%	22.20%	-18.36%	18.54%	16.25%	13.65%	12.29%	13.36%	9.24%	8.00%
ACWI ex US	4.58%	14.03%	5.53%	15.62%	-16.00%	7.82%	10.65%	13.75%	9.39%	10.36%	5.46%	5.75%

US Fixed Income

Bloomberg Index	May	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Aggregate	-0.72%	2.45%	1.25%	5.53%	-13.01%	-1.54%	7.51%	5.46%	1.49%	-0.90%	1.49%	3.04%
Treasury Bills	0.37%	1.78%	5.32%	5.14%	1.52%	0.04%	0.54%	4.82%	4.55%	2.75%	1.93%	1.65%
Corporates	-0.01%	2.26%	2.13%	8.52%	-15.76%	-1.04%	9.89%	5.61%	2.72%	0.16%	2.56%	4.00%
Securitized MBS/ABS/CMBS	-0.86%	2.45%	1.45%	5.08%	-11.67%	-1.04%	4.18%	5.97%	1.33%	-0.81%	1.13%	
High Yield	1.68%	2.68%	8.19%	13.45%	-11.19%	5.28%	7.11%	9.32%	6.75%	5.78%	5.02%	6.63%
Munis	0.06%	-0.96%	1.05%	6.40%	-8.53%	1.52%	5.21%	2.03%	1.72%	0.55%	2.13%	3.32%

US Equity Sectors

Index	May	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Technology	10.89%	-1.57%	36.61%	57.84%	-28.19%	34.52%	43.88%	14.63%	23.63%	22.41%	21.51%	15.55%
Real Estate	0.99%	3.35%	5.23%	12.35%	-26.13%	46.20%	-2.17%	13.73%	1.66%	7.45%	6.62%	
Industrials	8.83%	8.83%	17.30%	18.08%	-5.51%	21.10%	11.05%	17.37%	16.58%	18.00%	11.70%	9.81%
Energy	0.99%	-3.88%	5.72%	-1.42%	65.43%	54.39%	-33.68%	-9.58%	1.50%	20.95%	4.58%	6.29%
Consumer Discretionary	9.44%	-5.96%	30.14%	42.30%	-37.03%	24.43%	33.30%	21.49%	13.33%	12.23%	12.23%	11.36%
Communication Services	9.63%	3.59%	40.23%	55.80%	-39.89%	21.57%	23.61%	20.18%	21.59%	15.32%	10.97%	9.34%
Consumer Staples	1.81%	8.45%	14.87%	0.52%	-0.62%	18.63%	10.75%	14.11%	8.71%	11.55%	9.19%	9.91%
Utilities	3.83%	9.07%	23.43%	-7.08%	1.56%	17.67%	0.52%	16.23%	6.67%	10.02%	9.93%	9.04%
Materials	3.03%	3.62%	-0.04%	12.55%	-12.28%	27.28%	20.73%	-3.46%	2.38%	11.51%	7.77%	8.25%
Financials	4.42%	5.81%	30.50%	12.10%	-10.57%	34.87%	-1.76%	24.24%	14.90%	19.07%	12.01%	6.09%
Health Care	-5.55%	-3.10%	2.58%	2.06%	-1.95%	26.13%	13.45%	-6.03%	1.84%	6.97%	7.78%	9.50%
										Annualized Returns		

Source: Bloomberg.

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies pro- moted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI US Broad Market Index captures broad US equity coverage. The index includes 3,204 constituents across large, mid, small and micro capitalizations, representing about 99% of the US equity universe.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

DISCLOSURES

The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated invest- ment grade, and have $300 million or more of outstanding face value.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.

Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.