August 2025 Market Recap

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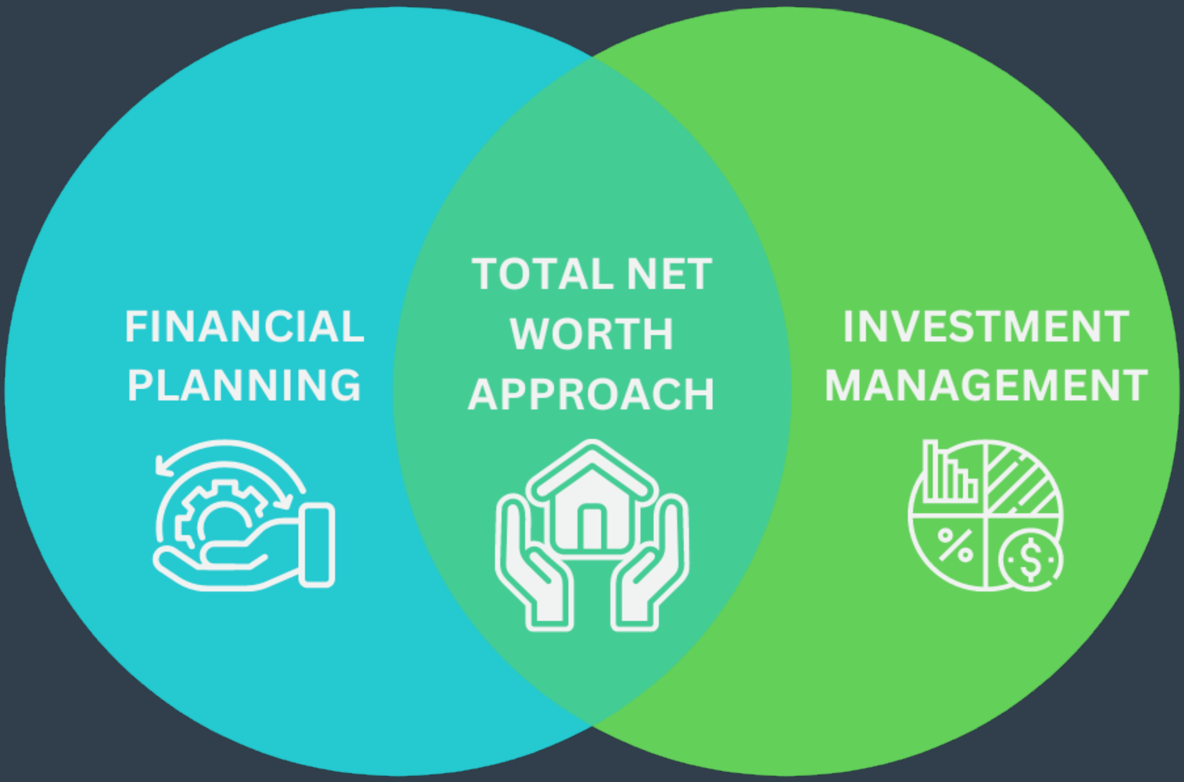


At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the 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.*

US equities moved higher again in August, with the S&P 500 increasing by +2.0% for the fourth consecutive monthly gain. The index is now higher by +10.8% year-to-date. After a near bear market in early April, the market is up over +30% from the low. The rally was primarily driven by trade deals and narrowing tariff uncertainties, stronger-than-expected corporate earnings, sustained optimism around artificial intelligence, and anticipation of upcoming FOMC rate cuts.

- **Another Month, Another New High:** The S&P 500 closed above 6,500 for the first time on August 28th, marking its 20th new all-time high of 2025.

- **Signs of Froth Amid Bull Market:** The S&P 500 is higher by over +96% since the start of the latest bull market on 10/12/22. Despite this impressive rally, there are notable signs of froth, with increased speculation in recent months. These include the resurgence of meme stocks and Special Purpose Acquisition Companies (SPACs), stretched valuations, a spike in option volumes, elevated first-day returns for IPOs, and record-high margin debt.

- **Markets Rotate:** August saw strong gains for year-to-date laggards, including Small Caps (+7.0%), Value (+3.2%), and Health Care (+5.4%) stocks. In contrast, 2025 leaders such as Growth (+1.1%) and Technology (+0.3%) lagged the broader market.

- **Magnificent 7 Split:** Three of the seven Magnificent 7 stocks advanced in August, with Apple (+12%), Alphabet (+11%), and Tesla (+8%) posting solid gains. Meanwhile, Nvidia (-2%), Amazon (-2%), Meta (-4%), and Microsoft (-5%) all finished lower.

- **Earnings Exceed Expectations:** S&P 500 earnings for the second quarter increased by +11.9% year-over-year, well above the +4.8% estimate entering reporting season. Earnings are projected to grow +11% in 2025 and 13% in 2026.

- **Upcoming Catalysts:** BLS Employment (9/5), CPI Inflation (9/11), Retail Sales (9/16), FOMC Decision (9/17).

Short-Term Outlook: While we're encouraged by the rebound to new all-time highs, our short-term outlook has turned cautious, as recent gains have been remarkable despite ongoing risks and mounting signs of market froth. We believe the primary driver of this year's market volatility – tariffs - will likely continue to act as an overhang. During times when speculation is rampant, many investors are fooled into thinking that markets will continue to rise indefinitely, leading them to take on too much risk. In our view, the environment suggests elevated volatility going forward as investors gain more clarity on tariffs, Fed policy, inflation, corporate earnings, and the overall health of the labor market and economy.

As we outlined in our Navigating Volatile Markets commentary, 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, 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.*

Long-term Investment Philosophy: Our long-term outlook remains optimistic for investors with both a comprehensive financial plan and investment process. Markets have historically increased over time despite frequent drawdowns as successful corporations have been able to figure out ways to generate profits through advances in innovation and productivity. To capitalize on the power of compounding, we believe in the benefits of staying **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses.

In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

All data sourced from Bloomberg as of 8/31/2025

Fixed Income Markets

Interest Rates

Most Treasury yields decreased in August, as both a weaker-than-expected BLS Employment Report signaled a slowdown in the labor market and broader economy, and Fed Chair Powell's speech at the Jackson Hole Economic Symposium set the stage for a September rate cut. 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.

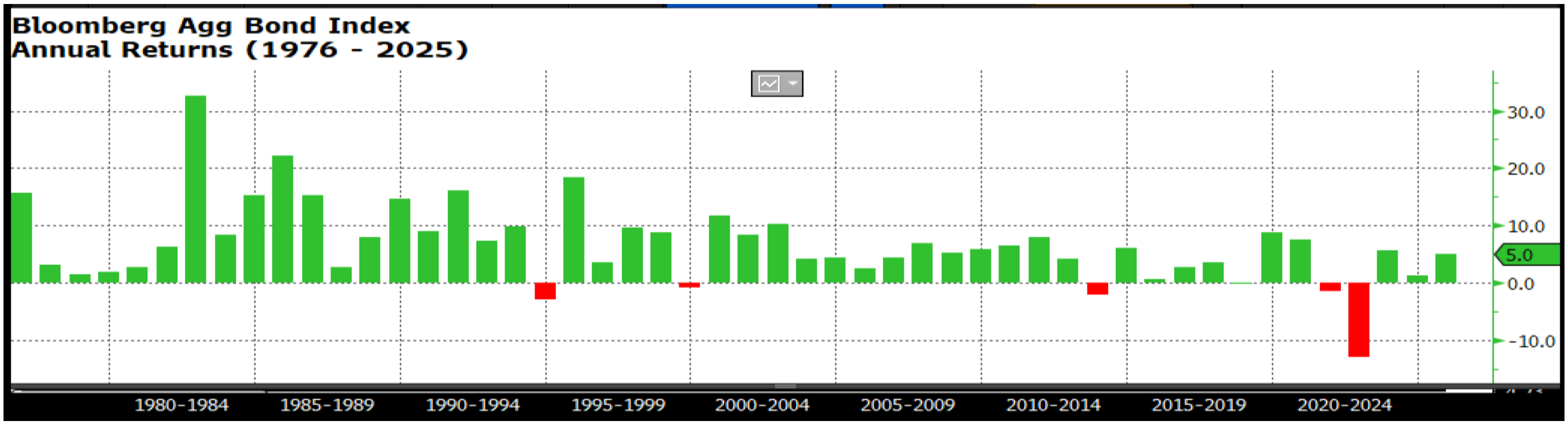
- **Short-Term Treasury Yields:** According to Bloomberg, market pricing indicates about five 0.25% rate cuts over the next year, so short-term yields should continue to decline in the coming months.
  - Month-end levels: 3-Month: 4.14% (-0.2%), 6-Month: 3.96% (-0.3%), 12-Month: 3.83% (-0.3%).
  - Investing in short-term Treasuries with +5% yields was a great strategy from 2023 to mid-2024, 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:** The 10-Year yield declined following the employment report, while the long end of the curve — the 20- and 30-year maturities — remained near 5% amid concerns over rising inflation and increased supply.
  - Month-end levels: 10-Year: 4.23% (-0.1%), 20-Year: 4.87% (-0%), 30-Year: 4.93% (+0%).
  - The latest CBO projection estimates the federal budget deficit will reach $1.9 trillion in 2025. This figure is expected to be revised higher following the passage of the One Big Beautiful Bill Act (OBBA). 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, increased by +1.2% in the month due to the decline in the 10-Year Treasury yield. Bond prices move inversely to interest rates and credit spreads. The Agg is still higher by +5.0% in 2025. Please see our Bond Primer.

After some challenging periods over the last few years, 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 performed well in a relatively stable rate environment: from August 15, 2023 through month-end, the 10-Year yield was essentially unchanged, while the Agg delivered an +11.6% total return (+5.5% annualized).

In our opinion, intermediate-term bonds remain an attractive investment opportunity, as the yield to maturity on the US Aggregate Bond Index ended the month at 4.4%. 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

In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside - a challenging situation. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate. Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance.

- Fed Chair Jerome Powell, Jackson Hole Economic Symposium (July 2025)

At the 2025 Jackson Hole Economic Symposium on August 22nd, Fed Chair Powell opened the door to lower interest rates, citing a weakening labor market. Powell's comment that "the shifting balance of risks may warrant adjusting our policy stance" is about as close as the Fed Chair will come to saying "we're cutting rates." With the next FOMC meeting on September 17th, markets are fully expecting a rate cut. According to Bloomberg, futures imply two rate cuts by the end of the year and about five total over the next twelve months. Market pricing is volatile, but the message is clear. Investors expect the Fed to begin a rate-cutting cycle.

Whether the FOMC opts for a single rate cut followed by a pause, or begins a series of reductions, will ultimately depend on the trajectory of both inflation and the labor market. The latest Core PCE Inflation reading - the Fed's preferred measure - was 2.9% year-over-year in July, still above the 2% target and drifting higher in recent months. Under normal circumstances, the FOMC would be unlikely to cut rates with inflation moving further from their goal, but growing concern about the labor market is shifting the calculus. According to the Bureau of Labor Statistics (BLS), the economy has added an average of just 35,000 jobs per month over the past three months, highlighting a clear slowdown in hiring. With inflation rising and job growth slowing, the Fed faces a difficult tradeoff that will define the future path of interest rates, while markets remain highly sensitive to each new data release.

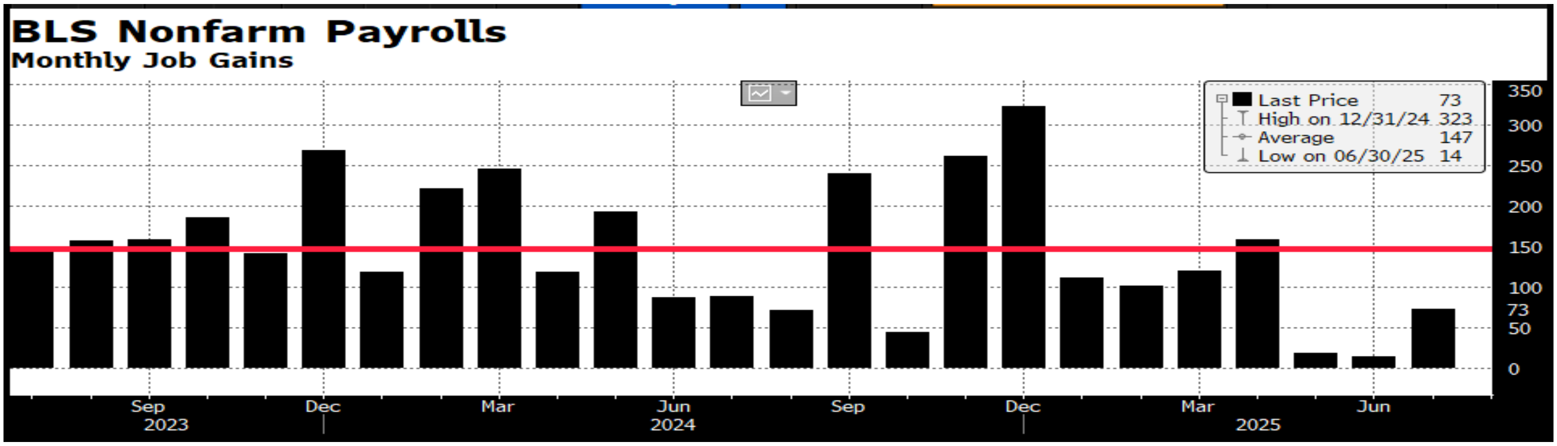
US Economy

As we replenish inventory at post-tariff price levels, we've continued to see our costs increase each week. Not surprisingly, we see more adjustments in middle and lower income households than we do with higher income households.

- C. Douglas McMilon, President and CEO, Walmart, Q2 Earnings Call (July 2025)

Overall, the economy is slowing, reflecting tariff-related uncertainty and a pickup in inflation. Real GDP growth for 2025 is projected at 1.6%, well below the 2.7% average of the past three years. Companies such as Walmart have noted that tariff pressures are only beginning to take hold. Goldman Sachs estimates that US consumers have absorbed about 22% of tariff costs through June, with that burden expected to rise to roughly 67% by October. Rising tariff burdens are expected to weigh most heavily on lower- and middle-income household budgets in the months ahead, contributing to a cooling in consumer spending, which has been a key driver of growth.

The major economic event of the month was the stunning July BLS Employment Report, which showed an increase of only 73,000 jobs and a downward revision of 258,000 jobs from the previously reported May and June figures. The report underscored a labor market that has slowed from the average pace of 147,000 monthly job gains over the past two years. Citing concerns over the accuracy and potential bias of the employment data, President Trump fired the head of the BLS and immediately nominated a replacement, who must still be confirmed by the Senate. The next BLS Employment report will be released on September 5th and will be closely watched for confirmation of whether the slowdown is gaining momentum.



Source: Bloomberg.

AUGUST 2025 MARKET RETURNS

US Equity

Index	August	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	2.03%	10.78%	25.00%	26.26%	-18.12%	28.68%	18.39%	17.04%	18.76%	14.67%	14.48%	10.84%
Russell 3000	2.19%	10.33%	23.80%	25.93%	-19.22%	25.64%	20.88%	16.72%	17.95%	14.00%	13.84%	10.62%
Dow Jones Industrial Average	3.42%	8.30%	14.99%	16.18%	-6.86%	20.95%	9.72%	12.13%	14.59%	11.87%	13.02%	10.23%
Nasdaq	1.65%	11.62%	29.60%	44.70%	-32.51%	22.21%	45.05%	23.38%	22.28%	13.79%	17.21%	13.40%
S&P 400	3.39%	5.27%	13.89%	16.39%	-13.10%	24.73%	13.65%	7.64%	11.18%	12.49%	10.31%	9.59%
Russell 2000	7.00%	6.67%	11.52%	16.88%	-20.46%	14.78%	19.93%	8.50%	9.35%	9.78%	8.78%	8.04%
Russell 1000 Growth	1.12%	11.32%	33.35%	42.67%	-29.14%	27.59%	38.49%	23.96%	24.20%	15.37%	17.77%	13.08%
Russell 1000 Value	3.19%	10.01%	14.35%	11.41%	-7.56%	25.12%	2.78%	10.26%	12.16%	12.75%	10.13%	8.21%

International Equity

MSCI Index	August	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
EAFE	4.26%	22.79%	3.82%	18.24%	-14.45%	11.26%	7.82%	14.14%	16.83%	10.14%	7.33%	5.71%
Europe	2.68%	29.34%	2.64%	22.94%	-17.86%	13.54%	7.89%	19.83%	22.06%	11.38%	7.88%	5.44%
Japan	6.95%	17.83%	8.31%	20.32%	-16.65%	1.71%	14.48%	13.62%	16.34%	8.68%	7.09%	5.05%
China	4.94%	29.04%	19.42%	-11.20%	-21.93%	-21.72%	29.49%	49.64%	9.89%	-2.26%	5.49%	7.99%
Emerging Markets	1.28%	19.02%	7.50%	9.83%	-20.09%	-2.54%	18.31%	17.33%	10.90%	4.82%	6.89%	6.27%
All Country World (ACWI)	2.47%	14.30%	17.49%	22.20%	-18.36%	18.54%	16.25%	16.69%	17.12%	11.94%	11.01%	8.19%
ACWI ex US	3.47%	21.64%	5.53%	15.62%	-16.00%	7.82%	10.65%	15.79%	14.94%	8.80%	7.27%	5.73%

US Fixed Income

Bloomberg Index	August	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Aggregate	1.20%	4.99%	1.25%	5.53%	-13.01%	-1.54%	7.51%	2.89%	2.89%	-0.63%	1.79%	3.15%
Treasury Bills	0.38%	2.90%	5.32%	5.14%	1.52%	0.04%	0.54%	4.62%	4.82%	2.97%	2.04%	1.67%
Corporates	1.01%	5.30%	2.13%	8.52%	-15.76%	-1.04%	9.89%	3.62%	4.42%	0.07%	3.04%	4.13%
Securitized MBS/ABS/CMBS	1.59%	5.48%	1.45%	5.08%	-11.67%	-1.04%	4.18%	3.30%	2.84%	-0.30%	1.43%	
High Yield	1.25%	6.35%	8.19%	13.45%	-11.19%	5.28%	7.11%	8.29%	8.89%	5.17%	5.81%	6.60%
Munis	0.87%	0.32%	1.05%	6.40%	-8.53%	1.52%	5.21%	0.07%	2.54%	0.40%	2.18%	3.35%

US Equity Sectors

Index	August	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Technology	0.34%	14.04%	36.61%	57.84%	-28.19%	34.52%	43.88%	23.84%	30.43%	20.31%	24.08%	16.22%
Real Estate	2.17%	5.67%	5.23%	12.35%	-26.13%	46.20%	-2.17%	1.49%	3.42%	6.58%	7.18%	
Industrials	0.01%	16.12%	17.30%	18.08%	-5.51%	21.10%	11.05%	18.50%	18.80%	15.85%	13.20%	10.27%
Energy	3.64%	7.49%	5.72%	-1.42%	65.43%	54.39%	-33.68%	2.33%	6.07%	25.03%	7.55%	6.22%
Consumer Discretionary	3.40%	2.02%	30.14%	42.30%	-37.03%	24.43%	33.30%	27.22%	15.17%	9.08%	13.22%	11.69%
Communication Services	3.58%	17.91%	40.23%	55.80%	-39.89%	21.57%	23.61%	35.42%	30.31%	14.82%	13.04%	10.00%
Consumer Staples	1.59%	5.54%	14.87%	0.52%	-0.62%	18.63%	10.75%	3.81%	7.55%	8.45%	9.09%	9.77%
Utilities	-1.58%	13.00%	23.43%	-7.08%	1.56%	17.67%	0.52%	14.67%	6.89%	10.86%	10.57%	8.80%
Materials	5.76%	11.64%	-0.04%	12.55%	-12.28%	27.28%	20.73%	1.43%	8.37%	9.89%	10.14%	8.71%
Financials	3.12%	12.54%	30.50%	12.10%	-10.57%	34.87%	-1.76%	20.98%	19.39%	18.45%	13.10%	6.36%
Health Care	5.38%	0.81%	2.58%	2.06%	-1.95%	26.13%	13.45%	-10.44%	4.60%	6.71%	8.62%	9.68%
		Calendar Year Returns						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 com- panies 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 flagship 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.