MARKET REVIEW & OUTLOOK

Mid-Year Review & Update - *Call Me Resilient*

2nd Quarter 2025

ECONOMY & MARKETS

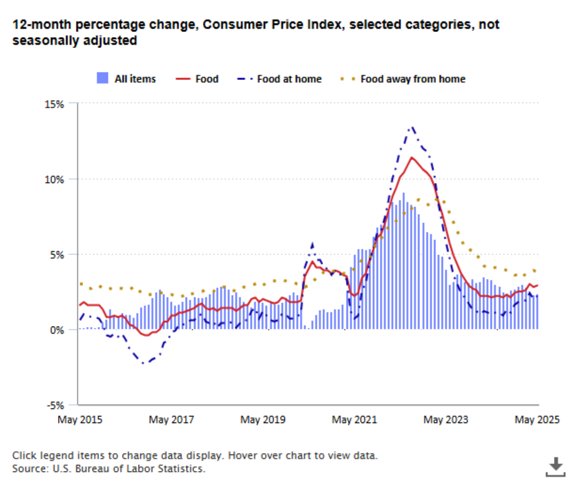
The second quarter of 2025 bore striking resemblance to Melville's oceanic allegory – *Moby Dick*. Published in 1851, the book follows Ismael, a contemplative sailor who joins the whaling ship *Pequod*, captained by the intense and enigmatic Captain Ahab. Ahab is obsessed with hunting Moby Dick, a massive white whale that had previously maimed him. As the ship journeys across the choppy oceans, Ahab's monomaniacal pursuit of the whale becomes a symbol of humanity's struggle against the unknown and the uncontrollable - *sound familiar?* Ultimately, the quest ends in tragedy, with the ship destroyed and Ishmael as the sole survivor – left to reflect on the cost of obsession and the fragility of human ambition.

The second quarter was no smooth sail – on April 8, the S&P 500 was down 15%. Markets were tossed by waves of uncertainty - aggressive trade policy shifts and geopolitical tensions. For some, who acted on fear, the waves proved overwhelming. For others, those with a long-term plan and an appreciation for history and patience, the turbulence finally calmed, and they found themselves not only afloat, but also in a position to benefit from the storm's passing. Resilience proved to be the key during the quarter. The market responded in the spirit of Ishmael - *Call me Resilient*.

For the second quarter of 2025, the **S&P** jumped 10.5% while the **DJIA** gained 5.0%. The **NASDAQ** leapt 17.7% (after being down 10.4% in Q1) as many AI-related tech stocks resumed their surge higher. International markets continued their march higher with developed markets (**MSCI EAFE)** up 8.3% while emerging markets (**MSCI EM**) added 8.1%. Bond prices rose slightly in the second quarter as the Bloomberg Aggregate **Bond Index** finished higher by 1.4% as debate over the Fed's next move continued.

For the year-to-date period, the **DJIA** is ahead by 3.6% while the **S&P 500** is higher by 5.5% thanks to the sharp second quarter rebound. The **NASDAQ** is up by 5.5% as technology stocks are back in favor *(remember Icarus …)*. International markets are the big standouts this year with the **MSCI EAFE** index up 17.4% while the **MSCI EM** index is ahead by 13.1%. A resilient labor market, decent earnings (though both have shown some recent signs of weakness) have kept the Fed on hold this year, but investors are anticipating cuts in the second half of the year. As a result, bond yields are slightly lower and prices higher as the Bloomberg Aggregate **Bond Index** added 4.0% for the year-to-date period through June.

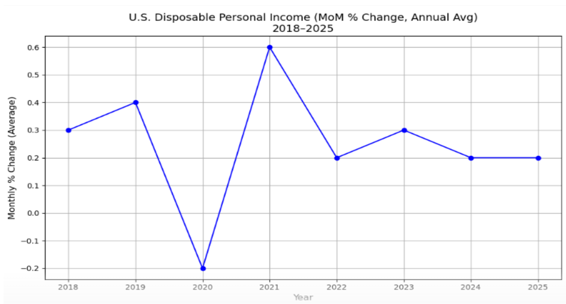
Earnings, inflation, and the Fed were front and center on investors' minds during the 2nd quarter. Inflation *(see below)* has been moderating, but most economists expect a one-time bump in inflation when tariffs are reinstated. The most recent inflation reports point to moderating inflation with Core CPI at 2.8% and Core PCE (the Fed's preferred inflation gauge) at 2.3% in May. Both reports show progress towards the Fed's 2% target.



Naturally, inflation puts a strain on disposable personal income *(see next page)*. With interest

Resilient Labor Market

rates remaining high, debt payments as a percent of disposable income have risen sharply this year while credit card delinquency rates are rising as well. Fortunately, a resilient labor market, albeit with slowing wage growth, has helped to keep the consumer's head above water. How long will the consumer be able to tread water when tariffs raise prices again?



Manufacturing continues to struggle in the U.S. June's ISM Manufacturing Index came in at 49.0 as the sector remained in contraction mode for the fourth straight month. A weakening U.S. dollar *(see below)* should benefit U.S. exporters and investors in foreign assets.

Weakening US Dollar

OUTLOOK

Let's remember that tariffs and trade uncertainty have not gone away … they are just on pause after the President's initial shock and awe on Liberation Day in early April. Trade and fiscal policy will dominate market headlines for at least the next quarter or so. Tariffs are likely to settle in the 10% to 20% range and will continue to disrupt and slow the current business cycle. However, history indicates that the likelihood of markets finishing the year higher (after a strong first six months) is quite high. Annual returns in the S&P 500 have been positive in 34 of the past 45 years - despite average intra-year declines of roughly 14%. Historical data offer investors encouragement to stay the course.

History Indicates ...

Market valuations moved higher over the second quarter and remain quite stretched. The S&P 500 is trading at 22.0X forward earnings (slightly higher than the year-end level of 21.5X) versus the 30-year average of 17.0X, according to FactSet. The top 10 stocks in the S&P 500 represent 38.2% of the index and trade at 28.8X versus the remaining stocks that trade at 20.7X. Market multiples may remain higher for a while as AI and technology-related stocks skew the averages with their above average earnings and productivity growth. Nonetheless, market averages are extended, and history has taught us that future returns will likely be less than average for the next three to five years, at least.

Bond prices moved higher in the second quarter as investors were encouraged by moderating inflation readings and a pause on tariffs. The Fed kept rates unchanged in Q2 as they adopted a wait-and-see stance as to whether tariffs will push up inflation. We see the Fed cutting rates two times before year-end. We added to our bond exposure during the quarter as bond yields appear relatively attractive and offer decent risk-reward.

Small and mid-cap equities still add value to an overall asset allocation strategy, but we remain underweight the space until signs of a sustained economic rebound surface. We suspect that small and mid-cap stocks will play some catch-up in the next two quarters as the market broadens out. *International equities* – both *developed* and *developing* are attractive as their valuation gap to U.S. equities remains compelling. International equities represent 35% of the MSCI All Country World Index. Again, we believe that *large-cap domestic companies with higher quality attributes* should continue to provide steady market returns. High quality stocks tend to outperform in an economic and earnings slowdown, and they remain core positions in client portfolios.

We suggest that investors maintain a fully diversified portfolio consistent with one's longer-term objectives and risk tolerance. A steady hand on the tiller will help to navigate the occasional storms which will surely come.

Enjoy the Summer!

Understanding Probate — And Why You Want to Avoid It

Planning is Critical

When a person passes away, some of their assets ***may*** have to go through a legal process known as ***probate***. Without some planning, it is certain that that at least some of one's estate will encounter this court-supervised procedure that verifies the validity of a Will (if one exists), appoints an executor, and oversees the distribution of the estate.

While probate serves an important role, it is a process many families seek to minimize or avoid altogether. Why? Probate can be slow, often taking months or even more than a year to complete. It can also be costly: attorney fees, court costs, and executor fees all reducing the value of the estate. Furthermore, unlike other private family matters, probate is a public process - which means anyone can access details about the probate estate, its assets, and its beneficiaries.

Fortunately, with some basic planning we can help you reduce or avoid probate altogether. These simple techniques are some of the ways to avoid probate:

- Using beneficiary designations when possible
- Retitling assets with joint ownership where appropriate
- Establishing an inter-vivos trust (Revocable/Living Trust), so assets can pass to the beneficiaries without the use of the Will and, therefore, "outside of the probate estate".

At NDS Wealth Advisors we take pride in helping our clients coordinate their estate planning goals with their financial lives. Whether it's reviewing account titling, aligning assets with a trust, or helping to ensure that beneficiaries are up to date, our team is here to support your legacy planning with clarity and care. We do not draft legal documents and we do not practice law, but we do help clients become educated and prepared for the estate planning process.

If you would like to learn more about how probate may (or may not) affect your estate, or whether your estate plan is up to date, *let's talk*.

Dividends Strategies - Why Now?

Dividends Matter!

As the S&P 500 has been rising over the past 15 years (post-Global Financial Crisis), many investors have gotten their exposure to the S&P 500 through low-cost market-cap-weighted index funds/ETFs. Many investors have lost sight of the concentration risk of just a relatively few companies pushing the market higher. According to Ned Davis Research, dividends have been a key driver of the S&P 500's long-term returns. They estimate that dividends have contributed approximately 40% of the S&P 500's total return since its inception in 1926. Diversifying your stock portfolio by adding dividend-paying equity exposure may reduce risk and volatility while also helping to hedge inflation.

Our team favors dividend strategies that screen for strong fundamentals (cash-flow stability, cash-flow-to-debt, dividend growth rate, return on equity) which allow these companies to raise dividends over time, not just those that offer the highest yields. The best dividend stocks come from sectors like consumer staples, health care, industrials, and utilities. The defensive nature of these companies allows them to continue paying and increasing dividends during times of economic stress. The cyclical sectors like technology and consumer discretionary/services are less represented due to their sensitivity to economic swings and lower predictability.

In times of negative market sentiment, there is ample evidence that dividend-focused strategies tend to outperform. In Q2/2025 and the most recent bear market in 2022, most dividend strategies went down by roughly one-half of the overall market … we like that risk/reward. Given the likelihood of increased volatility, we believe these investment strategies warrant a position in all client portfolios. Boring? *Yes*. Effective? *Absolutely*.

2nd QUARTER 2025 SCOREBOARD

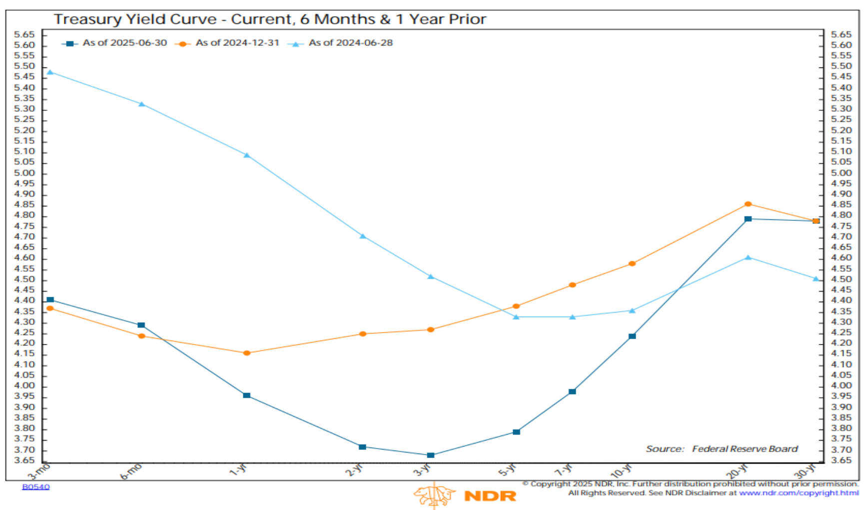
Index	Close	2nd Quarter % Change	Year-to-Date % Change
DJIA	44094.8	5.0	3.6
S&P 500	6205.0	10.5	5.5
NASDAQ	20369.7	17.7	5.5
Russell 2000	2175.0	8.1	-2.5
MSCI EAFE	2654.8	8.3	17.4

3 Month T-Bill	4.21%	Fed Funds Rate	4.25% - 4.50%
5 Year T-Note	3.79%	Prime Rate	7.50%
10 Year T-Note	4.23%	Gold	$3294.40
30 Year T-Note	4.78%	Oil	$65.11

Index returns are price only

Nice Q2 rebound!

Gold is up 25.3% year-to-date! Oil is lower by 9.2% ... a nice benefit to consumers and businesses.



Current rates are reasonably attractive

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Newman Dignan & Sheerar, Inc.; d/b/a NDS Wealth Advisors ("NDS"), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from NDS. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. NDS is neither a law firm, nor a certified public accounting firm, and no portion of the newsletter content should be construed as legal or accounting advice. A copy of NDS's current written disclosure Brochure discussing our advisory services and fees is available upon request or at www.newmandignan.com. Please Note: If you are a NDS client, please remember to contact NDS, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. NDS shall continue to rely on the accuracy of information that you have provided. Please Note: If you are a NDS client, please advise us if you have not been receiving account statements (at least quarterly) from the account custodian.

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