March 31st 2025

IN THIS ISSUE:

nvest
WEALTH STRATEGIES
Delivering financial peace of mind.

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It was the Best of Times, Then The Worst of Times

"It was the best of times, it was the worst of times"… the famous opening line from Charles Dickens' novel, 'A Tale of Two Cities' seems one of the most frequently used quotes when it comes to financial market commentaries. That's probably because so often the mood in markets appears to change abruptly and with little warning.

It's hard to believe that just seven weeks ago the S&P 500 was basking at all-time highs. But since that time, the S&P500 and tech-heavy Nasdaq indexes officially entered a "correction" (defined as a pullback of 10% or more) in March. The S&P500 finished the quarter down -4.3%. The Magnificent 7 constituents, representing the heaviest weights in both the S&P and Nasdaq are at the epicenter of weakness – Nvidia down -19%, Tesla off -35% for the 1Q.

While the first quarter was trying, zooming out reveals a market "stuck" in a volatile holding pattern since October. The period is of course bookended by the lead-up to the Presidential election and the tumultuous transition since. The relentless drumbeat of on-again, off-again (and now back on-again) tariff announcements, a fury of executive orders from the new administration, and disruption to the Government status quo from the controversial "DOGE" are denting confidence and injecting volatility. Recent soft economic data and persistent uncertainty about inflation are renewing concern about the possibility for recession, which, despite the consensus of virtually all economists, never arrived in 2022 or 2023.

While the financial press focuses on the pain being experienced in US equities, it was not all doom during the first quarter. Client portfolios, intentionally avoiding the heavy concentration to richly valued technology companies that exists in US indexes, are weathering much better due to ownership of value, foreign (MSCI EAFE index +6.9% YTD), commodities and energy infrastructure. Bonds are delivering stability, providing current income in-line with long-term history, and serving their role as a different bucket of time providing the ability to ride out equity market volatility.

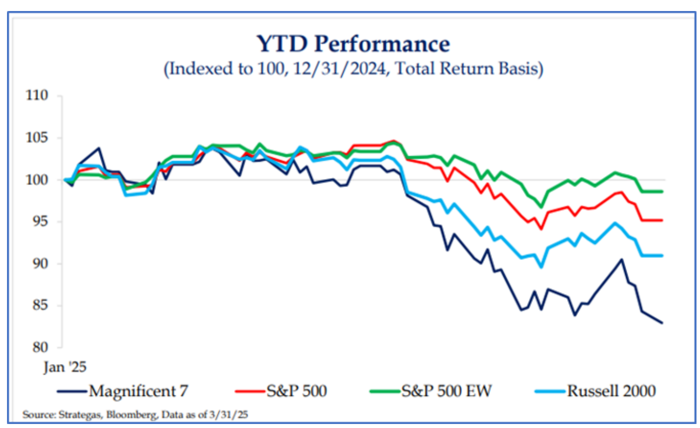
Financials and credit spreads – two indicators that tend to foreshadow when economic and financial conditions are deteriorating swiftly, are holding up relatively better than the broader market. This suggests, at least for the time being, that deeper trouble is still not the market's base case. Instead, a recalibration from consensus, crowded trades appears underway (read on).

With all of this acknowledged, market price action shapes a sour attitude. Isn't it amazing that when prices falter, so does sentiment. In that regard, 1Q challenges are notable because the stock market can also dent consumer and business confidence creating a negative feedback loop for the economy, increasing the chance for slowdown versus if the market were better behaved.

At quarter end, the market was oversold and due for a bounce; the early days of April only make that case stronger, but we suspect current volatility will likely persist as investors await clarity on how tariffs will actually be implemented following news on April 2 (Trump's endgame), and if/when the Fed may resume rate cuts. Most importantly, can the US economy avoid entering recession? For now, it's a sideways slog with no clear exit.

How are consensus ideas holding up in early 2025?

Entering the year, US stocks were advancing, market optimism high, and we highlighted in our January commentary how the majority of market strategists seemed in agreement that themes, including the Mag 7, US exceptionalism, and limited appeal of bonds, would persist in 2025. We encouraged "pressing pause" or maintaining healthy skepticism vs. chasing these crowded themes. We do not possess a crystal ball and still cannot say these themes won't reboot to dominance over the balance of the year, but the most consensus ideas took on significant water since January. Let's recap:



- Mag 7 becoming the "Sag 7": air is coming out of the momentum trade as investors appear to be de-risking against a backdrop of heightened uncertainty including tariffs, geopolitical tension and the possibility for them to negatively impact the economy and inflation. Instead, more cheaply valued and historically defensive areas of the market are holding up better.

- US "exceptionalism" vs Foreign wrong so far: despite tariffs, the mood around foreign investing seems to be picking up. At the beginning of the year, there was strong consensus that US opportunity remains "exceptional" to foreign, despite significantly higher overall prices. But the idea that the US may no longer reliably provide defense support or be a totally open marketplace for goods to the rest of the world appears to be forcing spending/investment by foreign governments back into their economies. This trend may unlock a decade worth of valuation catch-up that seems due for foreign vs. domestic companies.
- Bonds delivering absolute returns: following 2022 - the worst year for fixed income in decades – many continue to question the benefit of bonds. But so far, portfolios with exposure to traditional fixed income are enjoying the benefit of diversification. Bonds are not dead.

"Portfolios with exposure to traditional fixed income are holding up well and even positive year-to-date. Bonds are not dead."

Spinach Today, Candy Tomorrow? A Forward-Looking Perspective

During President Trump's first term in office, investors enjoyed 12 consecutive positive months of US stock market performance in 2017. Many attributed that experience to an early focus on delivering both personal and corporate tax cuts, or "candy" in year one. Those cuts immediately meant a boost in after-tax corporate profits and consumer sentiment (these cuts are set to expire next year, but widely expected to be extended). It was not until 2018 when the focus shifted to using tariffs – a less "tasty" policy posture (the spinach) - as a negotiating tool. If that analogy is appropriate, Trump's second term so far seems to be opposite...

So far in 2025, investors are being served a giant plate of spinach – we're told tariffs and scrutiny over government spending via the "DOGE" are necessary to ween the economy off years of unfair trade and loose government spending. But compared to candy (of tax cuts, and other forms of government stimulus) they are bitter and tough to choke down. Investors might be wondering when the candy arrives, and can extension of tax rates in place since 2017 really be considered "new" candy? The market's recent struggles, with the S&P 500 in correction territory, feel like a forced detox. Tariffs, uncertainty, and a cautious Fed sour the mood, but could this purge in the name of "health" set the table for sweeter returns? Let's chew on the outlook.

Reciprocal Tariff Equation

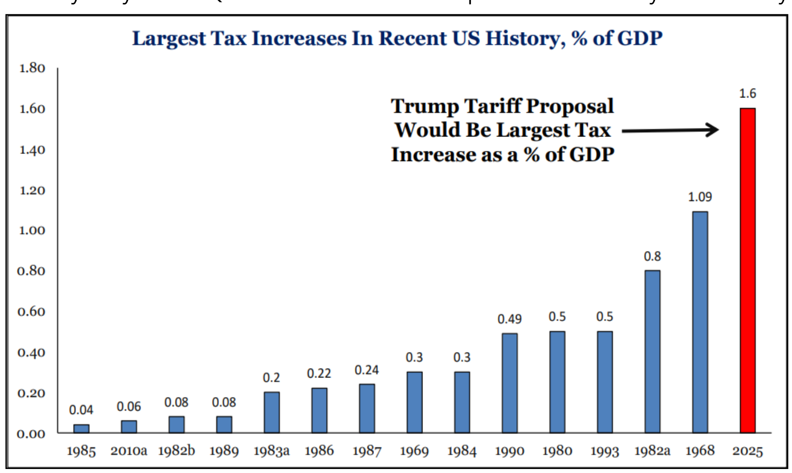
$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$

The spinach phase is about digesting tough realities. Trump's tariff proposals are akin to a significant tax hike; analysis from research firm Strategas estimates it's like raising the corporate tax rate from 21% to 31%. Confidence is reeling, with businesses and consumers clutching cash and raising odds of recession. The Fed's March decision to hold rates at 4.25-4.50%, paired with a gloomier 2025 GDP forecast, signals the "Fed" is not yet eager to ride to the rescue to cushion the fall. Tech's leadership is wobbling (we continue to caution - despite significant price declines, the sector remains pricey). Add a weakening dollar, market volatility, and cracks in employment (unemployment at 4.1% per February's payrolls), and it's a gritty meal to swallow.

ANNOUNCEMENTS:

- Early April - 2Q 2025 fees collected and performance reports sent.
- April 15 - Tax Filing Day! Also last day to make contributions to IRA/Roth accounts for 2024.
- **April 24 - Nvest Engagement Happy Hour at Getaway Brewing in Dublin. Please RSVP!**
- May 28 - Memorial Day; markets, banks, and Schwab closed.
- June 30 - End of 2Q. Quarterly Reports sent early July.

What's the "candy"? Markets bottom on bad news, not good. We are certainly receiving an abundance of bad news in the early days of 2Q. Could we be at "peak uncertainty"? History reveals attractive forward returns when uncertainty is highest. The economic policy uncertainty index maintained by three business professors is approaching its second-highest level in 40 years; one foreign leader even suggested that current "chaos" rivals what we faced at the peak of Covid… that's a bold claim, but perception can be reality.



The extreme uncertainty may itself be reason to remain optimistic, because any new clarity or signal that tensions are easing among elected leaders is better than the current elevated uncertainty. There are other reasons to remain optimistic too; for starters, corporate earnings are still projected to grow 11% over the next year. Growing earnings buffer against recession (but tariffs could begin to weigh on those attractive figures). A growth scare could also lift homebuilders if interest rates soften as a result (housing market frozen for much of the last few years due to high prices and high interest rates) and commodities (copper perking up). Many leading strategists still view the S&P500 returning to positive territory this year (although their confidence probably diminishes by the day). Tech might not lead, but oversold names could rebound if the Fed feels it can cut rates (base case is perhaps around Q3).

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"Those who stomach the current spinach, the candy of a soft landing, tariff relief, or a revival in manufacturing or other industries could be a tasty reward."

The catch? There may still be more spinach we need to eat first! Unfortunately, "Liberation Day" didn't really deliver any clarity because the announced tariffs seem so extreme and seem equally likely to invite retaliation as well as concession; it will take time to understand how reciprocal tariffs will flow to prices and demand. The market is oversold, but market corrections usually require time, not just price, to heal. Investors are increasingly questioning if they truly understand Trump's negotiating style. In his first term, threats were usually made in pursuit of a "deal" but increasingly it appears to be a belief that they are the gateway to a new world order. Further, the Federal Reserve is operating under a different regime today compared to 2018; with inflation still a threat and unemployment remaining low the Fed is not eager or able to ride to the rescue as it was in the years since the 2007-09 financial crisis.

Whatever the case over the coming weeks/months, long-term investors would be wise to acknowledge that the strongest market gains occur following times of heightened uncertainty. Additionally, companies are not content stagnating or contracting; they historically adapt to changing dynamics to move forward and grow. For those who stomach the current spinach, the candy of a soft landing, tariff relief, or a revival in manufacturing or other industries could be a tasty reward. Correction means stocks are trading at lower, more attractive valuations for long-term investors to deploy new money.

QTD

	Value	Core	Growth
Large	1.18	-4.96	-10.05
Mid	-2.78	-3.85	-6.93
Small	-7.53	-9.02	-10.41

1 Yr.

	Value	Core	Growth
Large	6.17	7.28	7.67
Mid	1.57	2.12	3.78
Small	-2.90	-3.52	-4.11

More Questions than Answers as we enter 2Q

- When does the Fed ride in to rescue/support? Tariffs at some level seem to be here to stay; not just a bargaining chip as most believed - including us. Will the Fed be forced to cut rates?
- Are we heading for recession? The probability increased since the start of the year, but still should not be the base case.
- At what point does tech resume leadership? HINT: It might not! And "buy the dip" may be dead with the reality that the Fed is not eager to bail out market stress as it was over the last 15 years.

Getting to know Albert Van Fossen!

Favorite Sports Team? My loyalty is to Cleveland, Columbus, and yes, even the Dallas Cowboys. The teams I root for often leave me heart broken, but my love for the game continues. I played football from age five through 22, starting on the line and eventually transitioning to tight end in college at Butler University.

Favorite Sports Memory? One of my proudest moments was catching a 40-yard touchdown pass over our all-conference corner after switching positions - a memory I'll always cherish.

How did you meet your better half? My wife, Alli, and I have been together for nearly a decade, a journey that began just before my senior year at Olentangy Orange HS. Our first date was sparked when I asked her out to the Rave Movie Theater near Polaris seeing an abysmal movie I picked. Afterward, we lost track of time chatting over frozen custard at a nearby shop. We later attended the same university. In 2020, we tied the knot, skillfully threading the needle of that unprecedented time.

Outside of Nvest? In our free time, we like to stay active. Alli has taken up rock climbing regularly since our time in Knoxville, while I enjoy sharking on the pool table.

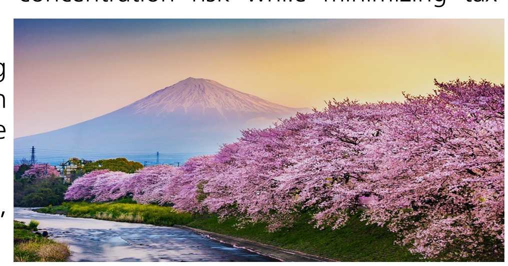
What excites you about joining Nvest? I'm thrilled about the opportunity to meet our wonderful clients and I look forward to building connections!

Nvest Engagement:

Delivering financial peace of mind is our ultimate goal. A quick summary of timely and helpful content our team shared over the past month via our LinkedIn and Facebook pages.

Like us on Facebook | Follow us on LinkedIn

◊ A common challenge - how to balance portfolio concentration risk while minimizing tax implications? We welcome your questions! LINK



◊ Many of our clients are preparing to depart on spring break. Who better to provide advise than Warren Buffett and the team at Berkshire Hathaway?! Please be safe and have fun! LINK

◊ Despite a strong run over the past several years, Japan equities remain attractively valued. LINK

Nest — *protect & nurture*
Value — *exceed expectations*
Excellence — *in service, in detail, in results*
Stewardship — *always a fiduciary*
Team — *know every client*

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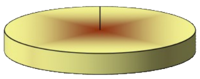
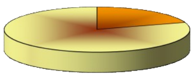
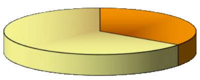
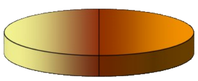
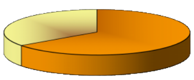
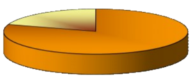
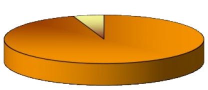
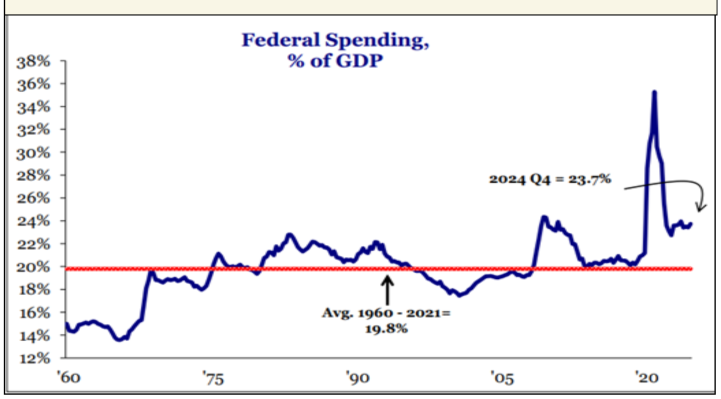
BENCHMARKING AS OF March 31, 2025

Summary of index portfolio returns compiled by Nvest Wealth Strategies®

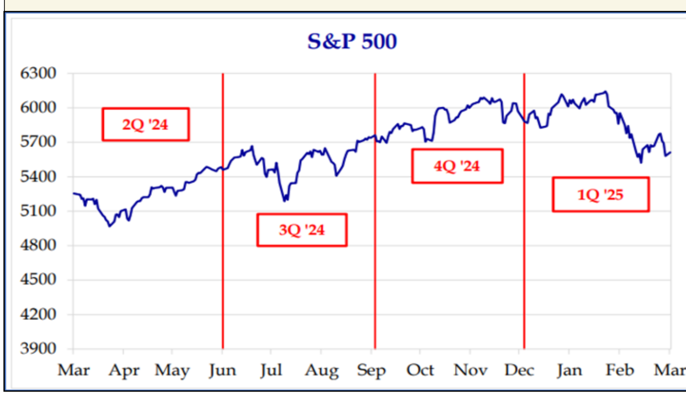
	Index Portfolio	Stock/Bond Allocation		Total Return Through 3/31/2025			
				1st Qtr	12 Mths	3 Years	5 Years
	Capital Preservation	0% / 100%	*Cumulative*	1.6%	5.8%	3.5%	2.7%
			Annualized		5.8%	3.5%	2.7%
	Income	20% / 80%	*Cumulative*	0.9%	5.2%	3.7%	5.0%
			Annualized		5.2%	3.7%	5.0%
	Balanced Conservative	35% / 65%	*Cumulative*	0.5%	4.9%	12.0%	35.3%
			Annualized		4.9%	3.9%	6.2%
	Balanced	50% / 50%	*Cumulative*	-0.1%	4.7%	13.2%	47.7%
			Annualized		4.7%	4.2%	8.1%
	Balanced Growth	65% / 35%	*Cumulative*	-0.5%	4.3%	14.0%	60.1%
			Annualized		4.3%	4.5%	9.9%
	Growth	80% / 20%	*Cumulative*	-1.3%	3.9%	15.0%	74.4%
			Annualized		3.9%	4.8%	11.8%
	Aggressive Growth	95% / 5%	*Cumulative*	-1.6%	3.5%	15.2%	83.5%
			Annualized		3.5%	4.8%	12.9%

The index returns reflect returns of various mutual fund averages compiled by Morningstar and allocated as follows: Capital Preservation: 90% Bond Average, 10% Treasury Bill Index; Income: 80% Bond, 10% Large Cap, 3% Mid Cap, 2% Small Cap, 5% International; Balanced Conservative: 65% Bond, 15% Large Cap, 5% Mid Cap, 3% Small Cap, 7% International; Balanced: 50% Bond, 24% Large Cap, 7% Mid Cap, 4% Small Cap, 10% International; Balanced Growth: 35% Bond, 30% Large Cap, 9% Mid Cap, 6% Small Cap, 15% International; Growth: 20% Bond, 38% Large Cap, 12% Mid Cap, 8% Small Cap, 17% International; Aggressive Growth: 10% Bond, 40% Large Cap, 15% Mid Cap, 10% Small Cap, 20% International. You cannot invest in these indexes or averages and all above indexes/averages include a 5% allocation to the Treasury Bill Index, reflecting a nominal level of cash. The level of diversification represented by these benchmark averages may be materially different than actual client accounts; therefore, clients may experienced different levels of performance volatility. Past performance is no guarantee of future results.

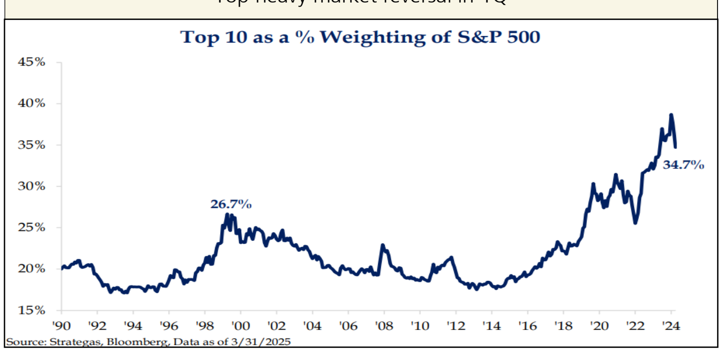
Longer-term deficit will not come down without spending cuts



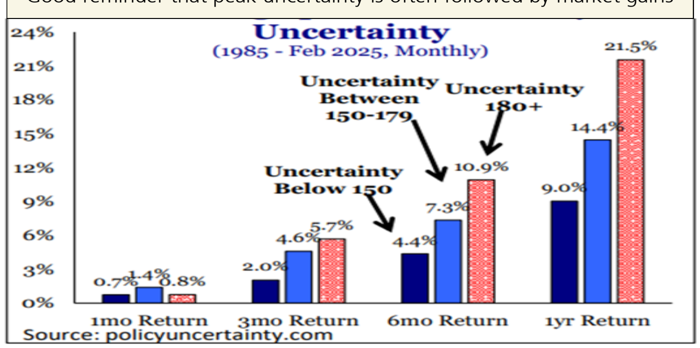
Historically, 1Q is weakest quarter of the year. 2025 off to rocky start.



Top heavy market reversal in 1Q



Good reminder that peak uncertainty is often followed by market gains



Selected Funds - Total Return Performance Summary

As of March 31st 2025

Bond Funds - Taxable	Style	1st Qtr	12 Mths	3 Years	5 Years
Taxable Short-Term Bond Average		*1.7%*	*5.9%*	*3.4%*	*2.7%*
Taxable Intermediate Bond Average		*2.7%*	*5.0%*	*0.6%*	*0.1%*
Allspring (fka Wells Fargo) Ultra Short	AS	1.2%	5.8%	4.7%	3.6%
Vanguard Short Federal	HS	1.9%	5.7%	2.4%	1.1%
American Century Short Duration	HS	1.4%	5.6%	3.0%	2.5%
DoubleLine Low Duration	HS	1.5%	5.3%	3.9%	3.4%
Vanguard Short-Term Investment Grade	HS	1.9%	6.3%	3.6%	2.6%
American Funds Bond Fund of America	HI	2.8%	5.1%	0.4%	0.3%
American Century GNMA Income	HI	2.8%	4.6%	0.0%	-1.0%
Diamond-Hill Core Bond	HI	3.0%	6.5%	1.8%	0.9%
BrandywineGlobal Corporate Credit	LI	0.5%	6.7%	5.5%	7.7%
Miller Convertible	LI	-0.8%	-0.6%	0.0%	6.4%
Bond Funds - Tax Exempt					
Tax-Free Intermediate Bond Average		*-0.1%*	*1.7%*	*1.6%*	*1.2%*
Vanguard Muni Limited Term	HS	0.9%	3.4%	2.6%	1.8%
T. Rowe Price Tax Free S/I	HS	0.9%	3.0%	2.2%	1.5%
American Funds Tax-Exempt Bond	HI	-0.2%	2.3%	1.7%	1.4%
Vanguard Muni Intermediate Term	HI	0.0%	1.7%	1.9%	1.4%
Vanguard Ohio Long-Term	HL	-0.7%	1.7%	1.1%	1.0%
Stock Funds - Domestic					
S&P 500 Index		*-4.3%*	*8.3%*	*8.3%*	*9.1%*
Equity Fund Average (Morningstar Mgr Agg US Core EW)		*-5.0%*	*2.0%*	*5.0%*	*15.9%*
Schwab Large Cap Growth	LG	-10.1%	8.4%	10.8%	20.8%
Parnassus Value Equity (f.k.a. Endeavor Fd)	LG	-2.0%	-0.4%	4.5%	19.1%
Invesco Eq Wt S&P 500	LB	-0.7%	3.9%	5.0%	17.5%
T.Rowe Price Dividend Growth	LV	2.3%	7.5%	7.7%	16.1%
WisdomTree US Quality Dividend Growth	LV	-1.0%	6.4%	9.9%	17.7%
American Century Equity Income	LV	4.7%	9.7%	5.0%	11.9%
Hennessy Focus	MG	-4.6%	4.9%	3.0%	14.6%
John Hancock Multifactor Mid-Cap	MB	-4.1%	0.8%	4.1%	16.3%
John Hancock Disciplined Value Mid-Cap	MV	-1.7%	-0.8%	5.5%	17.4%
SPDR S&P600 Small Cap Growth	SG	-8.0%	-3.8%	0.9%	13.6%
Neuberger & Berman Genesis	SB	-8.4%	-5.4%	1.6%	11.7%
American Centry Small Cap Value	SV	-6.3%	-4.4%	1.3%	17.5%
Avantis US Small Cap Value	SV	-9.3%	-5.5%	4.8%	24.9%
SPDR S&P600 Small Cap Value	SV	-9.9%	-3.3%	0.1%	16.1%
Stock Funds - International					
Morgan Stanley EAFE Index (Foreign)		*6.9%*	*4.9%*	*6.1%*	*11.8%*
Oakmark International	LV	7.9%	2.8%	4.1%	13.8%
Hartford International Value	LV	12.6%	11.7%	10.8%	18.1%
Brandes International Equity (MutFd)	LV	10.8%	13.0%	13.7%	17.9%
Schwab Fundamental International Index	LV	7.8%	5.3%	7.2%	15.0%
John Hancock International Growth	LG	4.8%	7.7%	3.3%	9.2%
WisdomTree Int'l Quality Dividend Growth (Hdg)	LG	-0.8%	-3.8%	5.6%	11.9%
Harding Loevner International Small Company	SG	2.0%	-4.5%	-2.3%	7.8%
WisdomTree Japan Hedged	LB	-1.9%	4.2%	23.2%	24.5%
Stock Funds - Specialty					
Invesco S&P500 Eq Wt Energy	MV	8.0%	1.1%	10.0%	36.6%
Direxion Auspice Broad Commodity ETF	N/A	4.4%	7.7%	0.8%	12.3%
First Trust North American Energy Infrastructure	N/A	6.0%	31.2%	14.7%	20.4%
Neuberger Berman Real Estate Securities	MV	1.6%	10.1%	-2.6%	7.9%

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Diane Carpenter: Statements, Nvest Reports, or copy of our ADV/privacy policy
Steve Henderly, CFA: Portfolio Management & Strategy
Jordan Ranly, MBA: LIVING LIFE Financial Planning
Albert Van Fossen: Client Advisor