

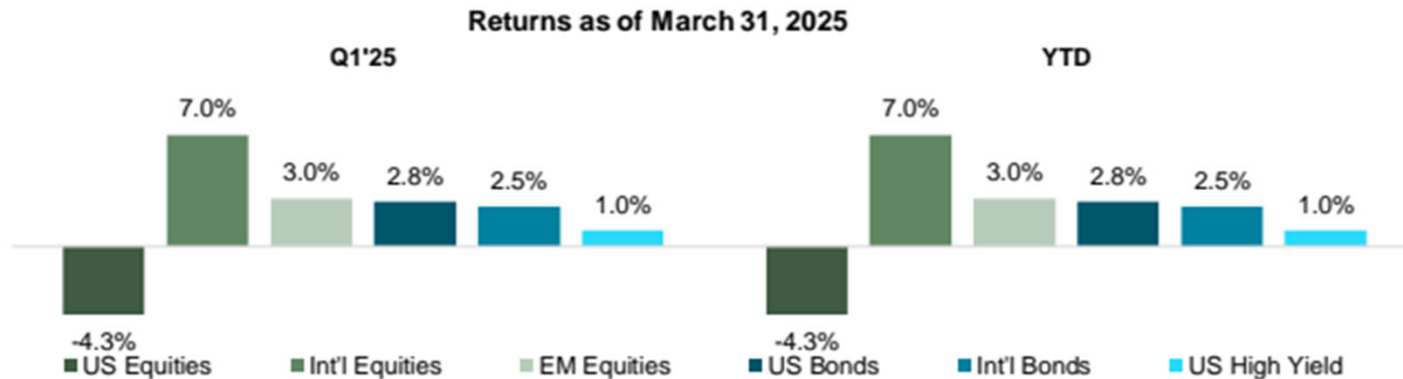


## 2025 Q1 Market Review & Outlook

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# 2025 Q1 Summary

1



Diversification helped investors mitigate risk and seize opportunities amid market volatility.

A globally diversified 60/40 allocation was flat for the quarter, while US equity markets were negative.

Tariff concerns and weaknesses in Tech stocks sent the S&P 500 down **-4.3%** in Q1-25.

Across size, smaller companies trailed their larger peers.

As U.S. stocks lost ground, international stocks surged when investors looked for cheaper equity options.

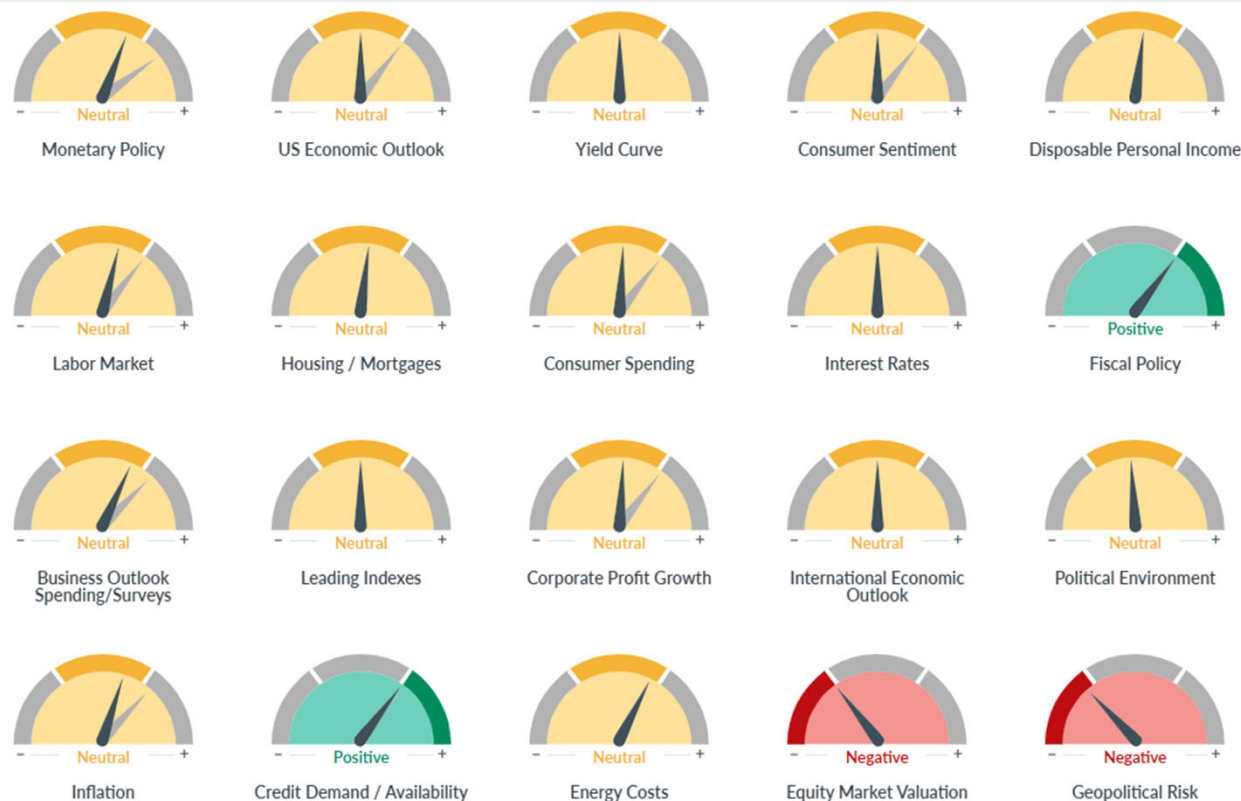
Bonds gained as investors shifted their concerns from inflation to recession risks.

# 2025 Economic & Market Outlook

2

Apr 2025 ^

< Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2025 Jan Feb Mar Apr >



Outlooks look less favorable:  
(Positive to Neutral shifts)

1. Monetary Policy
2. US Economic Outlook
3. Consumer Sentiment
4. Labor Market
5. Consumer Spending
6. Business Outlook
7. Corporate Profit Growth
8. Inflation

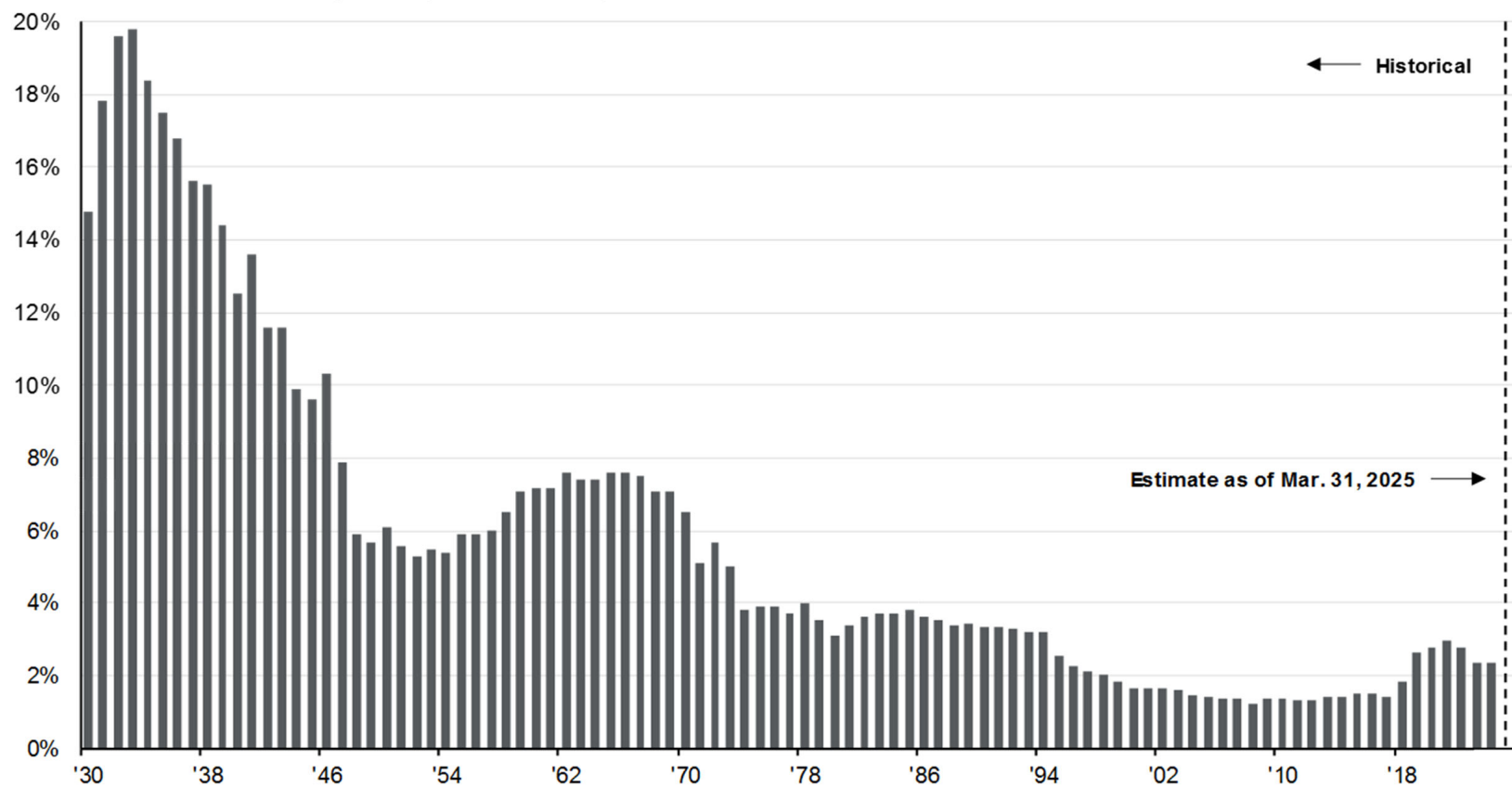
*Forward-looking six to nine months*

## Tariffs on U.S. imports (As of 3/31/25)

3

### Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption

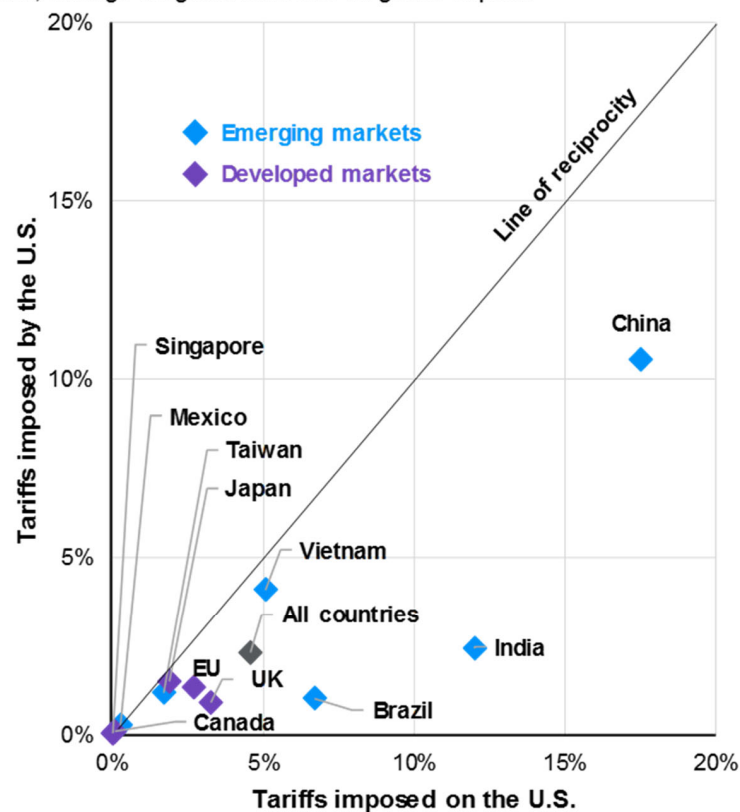


## Trade policy risks (As of 3/31/25)

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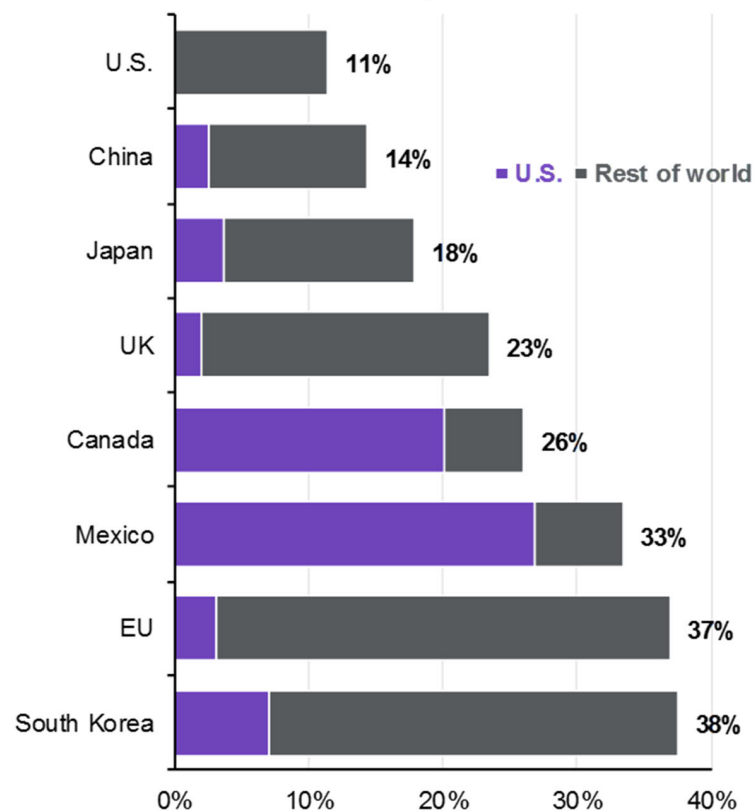
### Tariffs between the U.S. and its trade partners

2023, average weighted tariff rate on goods imports



### Exports exposure by country

Exports as a % of nominal GDP, USD, goods, 2023

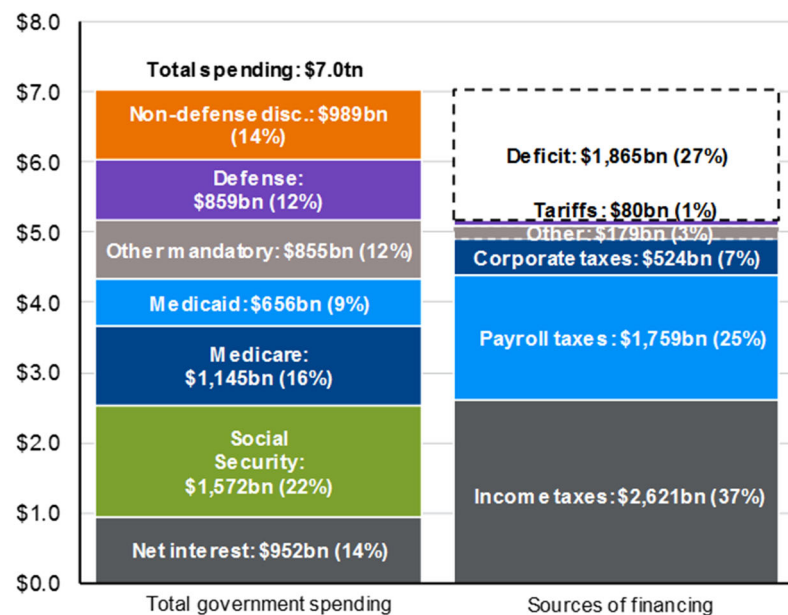


# Federal finances

5

## The 2025 federal budget

USD trillions

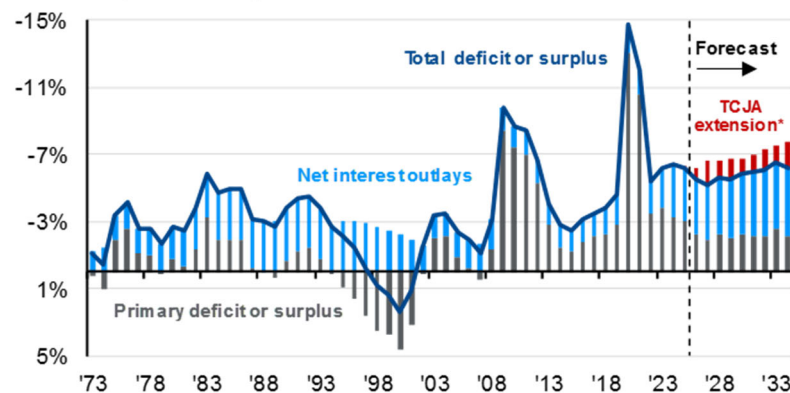


### CBO's Baseline economic assumptions

|                          | 2025 | '26-'27 | '28-'29 | '30-'35 |
|--------------------------|------|---------|---------|---------|
| Real GDP growth          | 2.2% | 1.8%    | 1.8%    | 1.8%    |
| 10-year Treasury         | 4.1% | 3.9%    | 3.9%    | 3.8%    |
| Headline inflation (CPI) | 2.3% | 2.4%    | 2.3%    | 2.2%    |
| Unemployment             | 4.2% | 4.4%    | 4.4%    | 4.4%    |

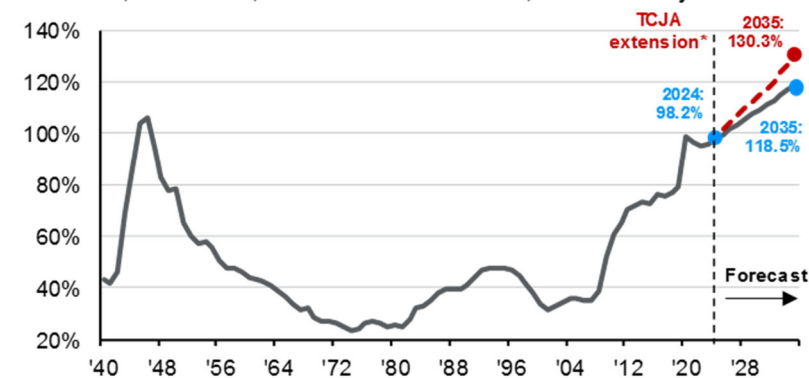
## Federal deficit and net interest outlays

% of GDP, 1973-2035, CBO Baseline Forecast



## Federal net debt (accumulated deficits)

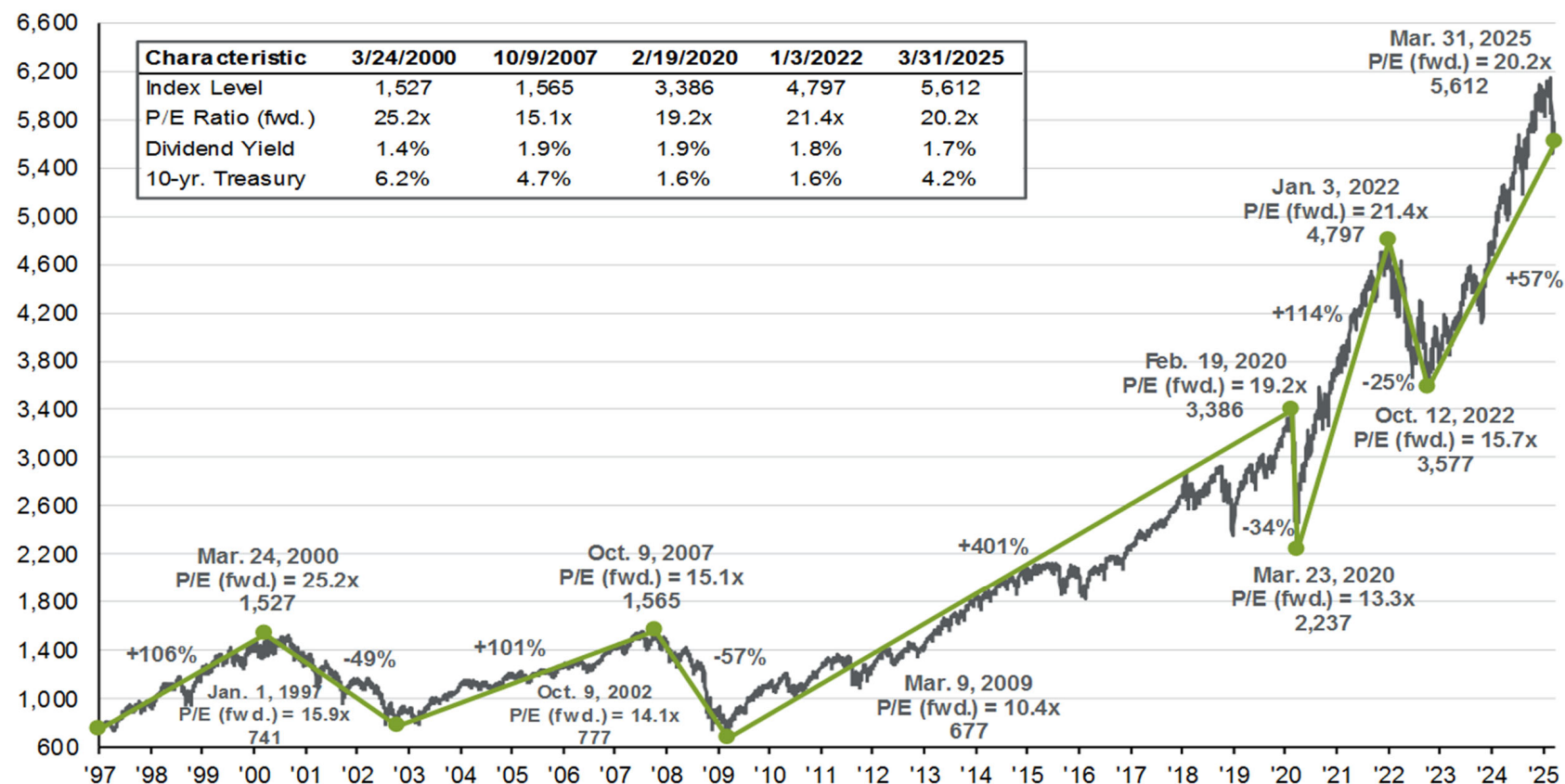
% of GDP, 1940-2035, CBO Baseline Forecast, end of fiscal year



# S&P 500 Index through 2025 Q1

6

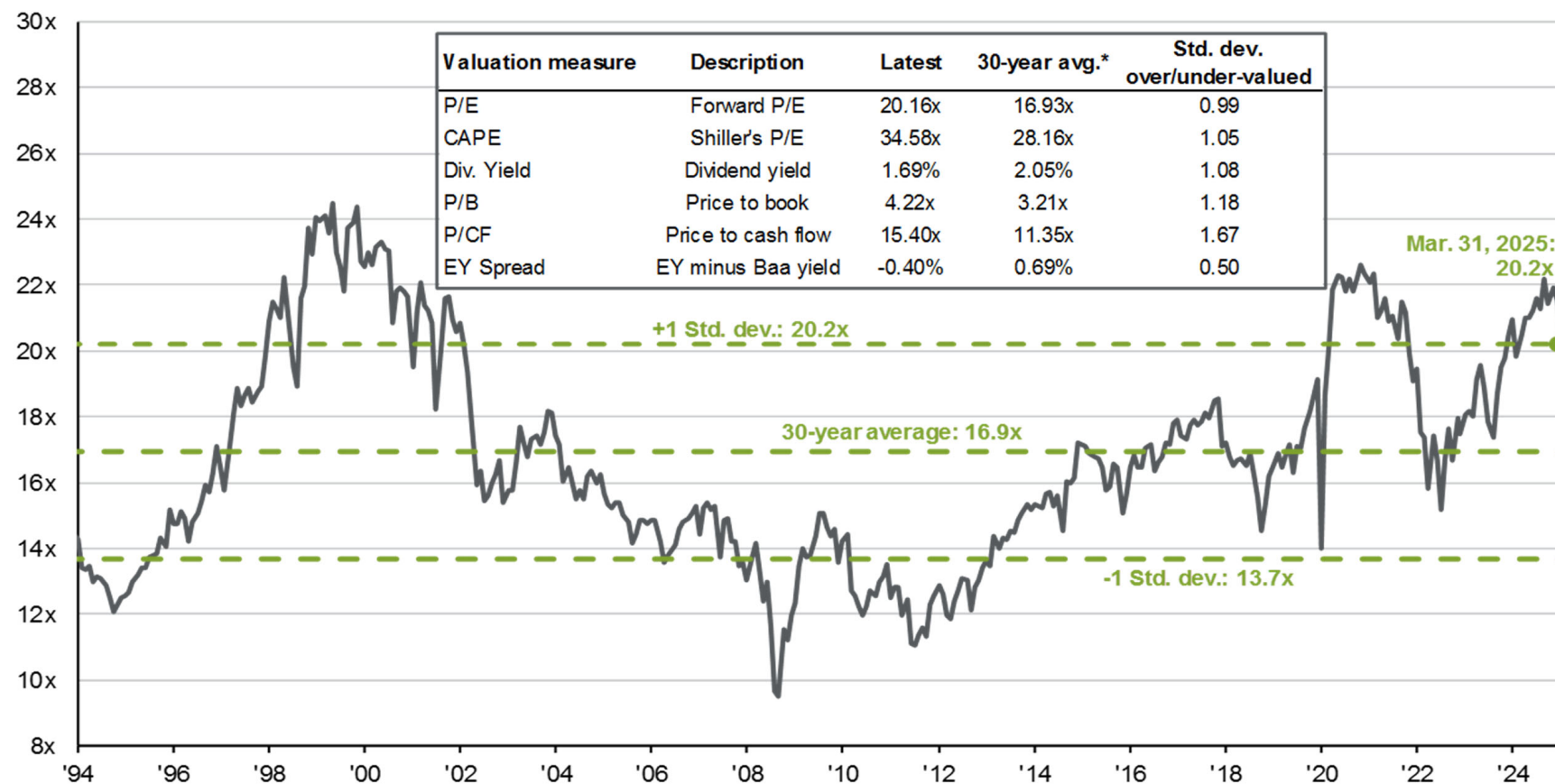
## S&P 500 Price Index



## S&P 500: Index valuation measures

7

### S&P 500 Index: Forward P/E ratio



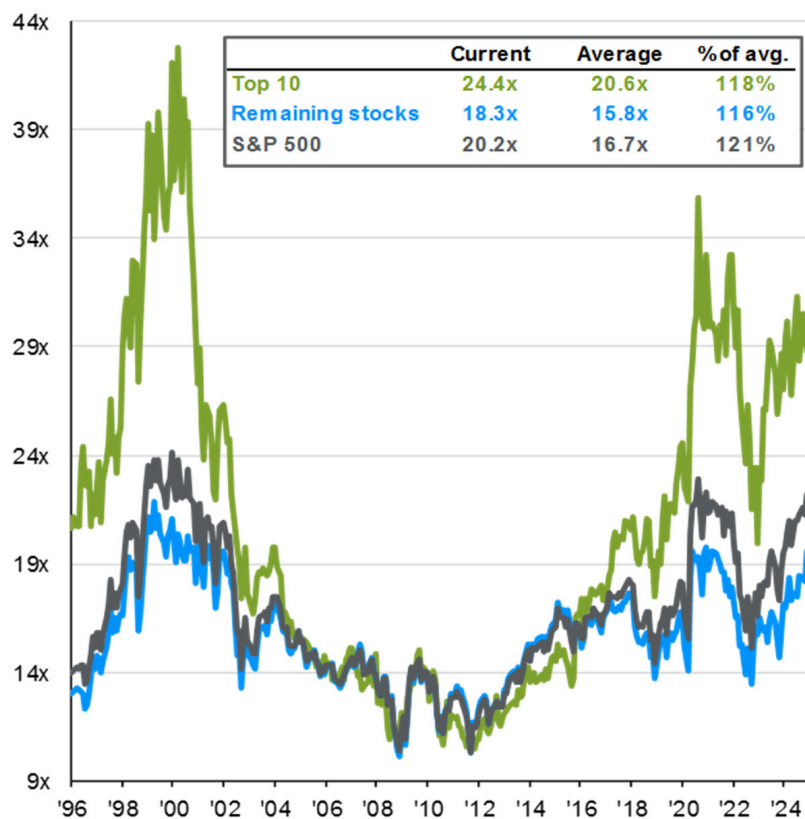


# S&P500: Index concentration and valuations

8

## P/E of the top 10 and remaining stocks in the S&P 500

Next 12 months, 1996 - present



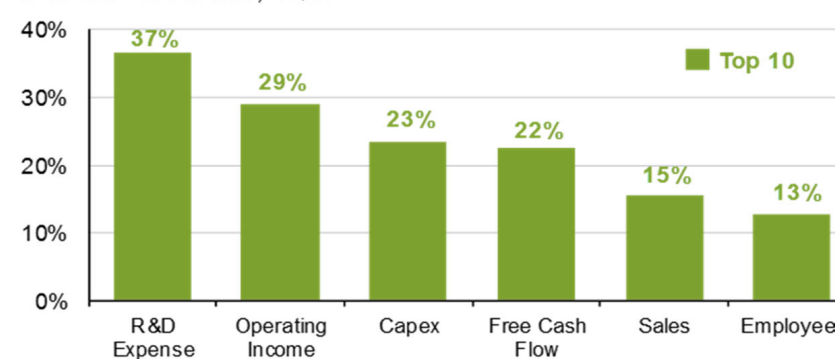
## Weight of the top 10 stocks in the S&P 500

% of market capitalization of the S&P 500



## Economic concentration in the S&P 500

% of S&P 500 metric, 4Q24



## Returns & Valuations by Style

9

| 10-year annualized               |       |       |        | YTD                             |       |       |        |
|----------------------------------|-------|-------|--------|---------------------------------|-------|-------|--------|
|                                  | Value | Blend | Growth |                                 | Value | Blend | Growth |
| Large                            | 8.8%  | 12.5% | 15.1%  | Large                           | 2.1%  | -4.3% | -10.0% |
| Mid                              | 7.6%  | 8.8%  | 10.1%  | Mid                             | -2.1% | -3.4% | -7.1%  |
| Small                            | 6.1%  | 6.3%  | 6.1%   | Small                           | -7.7% | -9.5% | -11.1% |
| Since market peak (January 2022) |       |       |        | Since market low (October 2022) |       |       |        |
|                                  | Value | Blend | Growth |                                 | Value | Blend | Growth |
| Large                            | 19.9% | 23.0% | 20.5%  | Large                           | 45.3% | 62.9% | 76.7%  |
| Mid                              | 9.7%  | 8.3%  | 5.6%   | Mid                             | 36.7% | 41.8% | 52.5%  |
| Small                            | -3.5% | -7.2% | -11.6% | Small                           | 21.4% | 23.7% | 25.5%  |

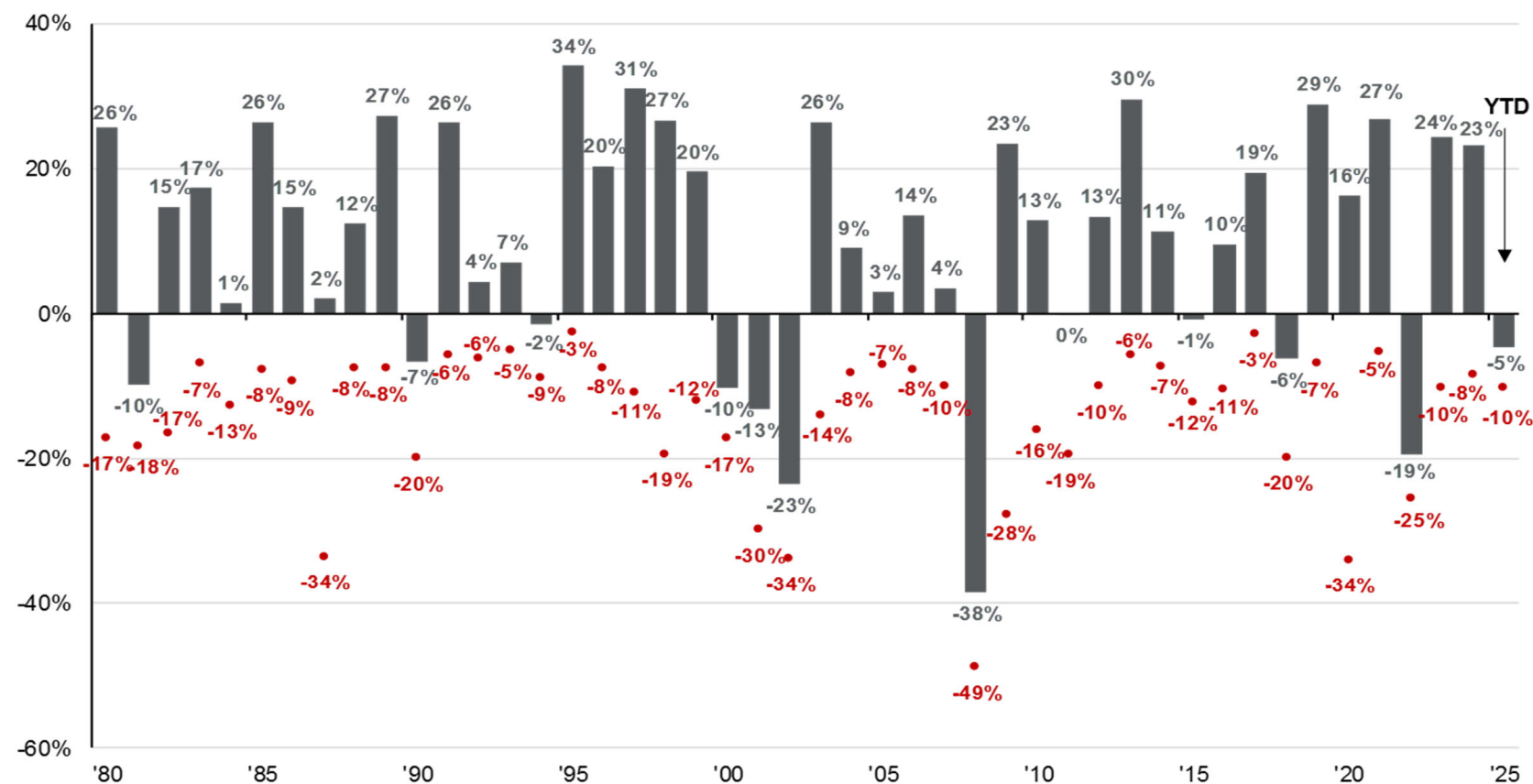
| Forward P/E vs. 20-year avg. P/E    |             |             |             |
|-------------------------------------|-------------|-------------|-------------|
|                                     | Value       | Blend       | Growth      |
| Large                               | 16.3 / 13.8 | 20.2 / 15.9 | 25.2 / 19.4 |
| Mid                                 | 15.0 / 14.5 | 16.8 / 16.4 | 25.6 / 20.9 |
| Small                               | 16.1 / 16.8 | 22.5 / 21.6 | 36.4 / 25.8 |
| Forward P/E as % of 20-year avg. PE |             |             |             |
|                                     | Value       | Blend       | Growth      |
| Large                               | 118.1%      | 126.6%      | 129.7%      |
| Mid                                 | 103.4%      | 101.8%      | 122.2%      |
| Small                               | 96.1%       | 104.2%      | 140.9%      |

# Annual returns and intra-year declines

10

## S&P intra-year declines vs. calendar year returns

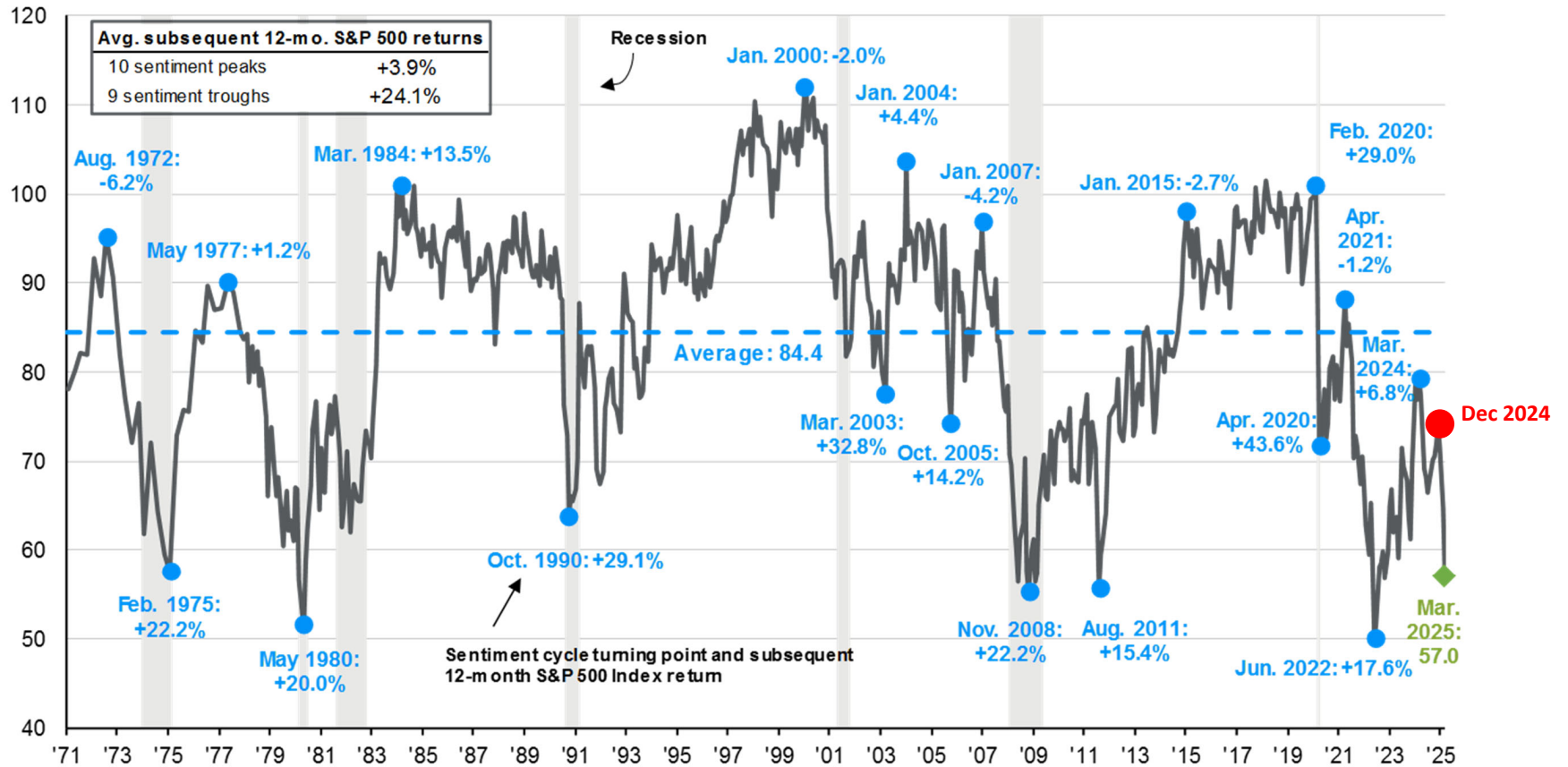
Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



# Consumer confidence & the stock market

11

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



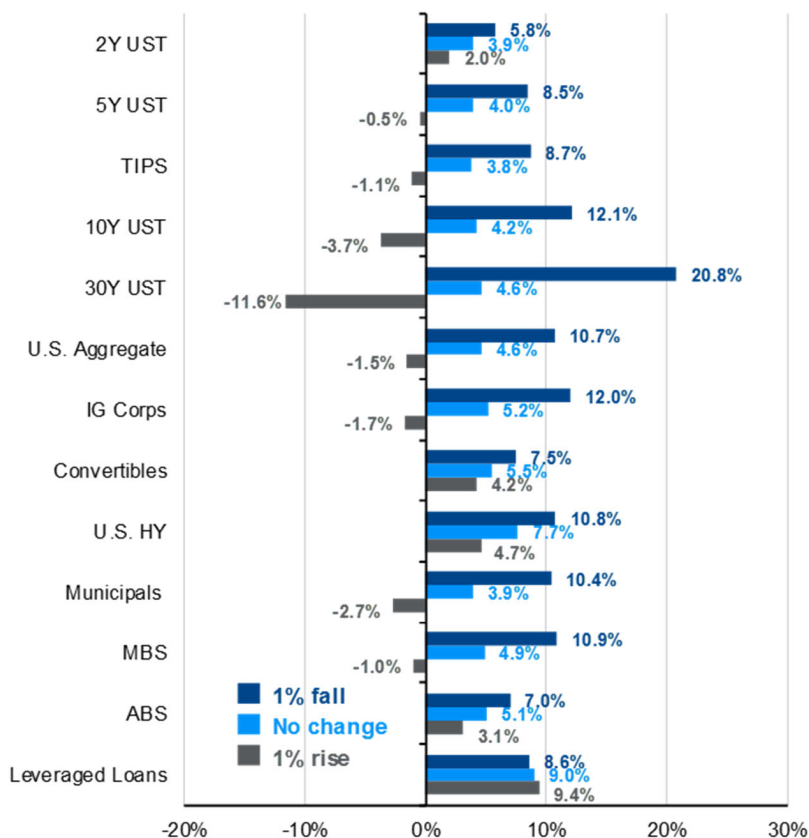
# Fixed income market dynamics

12

| U.S. Treasuries | Yield     |            | Return |         | Avg. Maturity | Correlation to 10-year | Correlation to S&P 500 |
|-----------------|-----------|------------|--------|---------|---------------|------------------------|------------------------|
|                 | 3/31/2025 | 12/31/2024 | 2025   |         |               |                        |                        |
| 2-Year          | 3.89%     | 4.25%      | 1.59%  | 2 years | 0.74          | 0.01                   |                        |
| 5-Year          | 3.96%     | 4.38%      | 3.00%  | 5       | 0.94          | -0.02                  |                        |
| TIPS            | 1.62%     | 2.13%      | 4.17%  | 7.3     | 0.74          | 0.34                   |                        |
| 10-Year         | 4.23%     | 4.58%      | 3.99%  | 10      | 1.00          | -0.07                  |                        |
| 30-Year         | 4.59%     | 4.78%      | 4.28%  | 30      | 0.93          | -0.10                  |                        |
| Sector          |           |            |        |         |               |                        |                        |
| U.S. Aggregate  | 4.60%     | 4.91%      | 2.78%  | 8.4     | 0.90          | 0.26                   |                        |
| IG Corps        | 5.15%     | 5.33%      | 2.31%  | 10.6    | 0.69          | 0.47                   |                        |
| Convertibles    | 5.54%     | 6.13%      | -1.29% | -       | -0.03         | 0.86                   |                        |
| U.S. HY         | 7.73%     | 7.49%      | 1.00%  | 4.7     | 0.10          | 0.79                   |                        |
| Municipals      | 3.85%     | 3.74%      | -0.22% | 13.4    | 0.73          | 0.27                   |                        |
| MBS             | 4.92%     | 5.27%      | 3.06%  | 7.7     | 0.81          | 0.26                   |                        |
| ABS             | 5.08%     | 5.38%      | 1.70%  | 2.2     | 0.42          | 0.24                   |                        |
| Leveraged Loans | 9.03%     | 8.68%      | 0.48%  | 4.7     | -0.22         | 0.62                   |                        |

## Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



# Asset class returns & diversification (As of 3/31/2025)

13

| 2010–2024    |              | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         | YTD          |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Ann.         | Vol.         |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Large Cap    | Small Cap    | REITs        | REITs        | REITs        | Small Cap    | REITs        | REITs        | Small Cap    | EM Equity    | Cash         | Large Cap    | Small Cap    | REITs        | Com dty.     | Large Cap    | Large Cap    | Com dty.     |
| 13.9%        | 20.6%        | 27.9%        | 8.3%         | 19.7%        | 38.8%        | 28.0%        | 2.8%         | 21.3%        | 37.8%        | 1.8%         | 31.5%        | 20.0%        | 41.3%        | 16.1%        | 26.3%        | 25.0%        | 8.9%         |
| Small Cap    | EM Equity    | Small Cap    | Fixed Income | High Yield   | Large Cap    | Large Cap    | Large Cap    | High Yield   | DM Equity    | Fixed Income | REITs        | EM Equity    | Large Cap    | Cash         | DM Equity    | Small Cap    | DM Equity    |
| 10.3%        | 17.9%        | 26.9%        | 7.8%         | 19.6%        | 32.4%        | 13.7%        | 1.4%         | 14.3%        | 25.6%        | 0.0%         | 28.7%        | 18.7%        | 28.7%        | 1.5%         | 18.9%        | 11.5%        | 7.0%         |
| REITs        | REITs        | EM Equity    | High Yield   | EM Equity    | DM Equity    | Fixed Income | Fixed Income | Large Cap    | Large Cap    | REITs        | Small Cap    | Large Cap    | Com dty.     | High Yield   | Small Cap    | Asset Alloc. | EM Equity    |
| 9.4%         | 16.8%        | 19.2%        | 3.1%         | 18.6%        | 23.3%        | 6.0%         | 0.5%         | 12.0%        | 21.8%        | -4.0%        | 25.5%        | 18.4%        | 27.1%        | -12.7%       | 16.9%        | 10.0%        | 3.0%         |
| Asset Alloc. | DM Equity    | Com dty.     | Large Cap    | DM Equity    | Asset Alloc. | Asset Alloc. | Cash         | Com dty.     | Small Cap    | High Yield   | DM Equity    | Asset Alloc. | Small Cap    | Fixed Income | Asset Alloc. | High Yield   | Fixed Income |
| 7.2%         | 16.5%        | 16.8%        | 2.1%         | 17.9%        | 14.9%        | 5.2%         | 0.0%         | 11.8%        | 14.6%        | -4.1%        | 22.7%        | 10.6%        | 14.8%        | -13.0%       | 14.1%        | 9.2%         | 2.8%         |
| High Yield   | Com dty.     | Large Cap    | Cash         | Small Cap    | High Yield   | Small Cap    | DM Equity    | EM Equity    | Asset Alloc. | Large Cap    | Asset Alloc. | DM Equity    | Asset Alloc. | Asset Alloc. | High Yield   | EM Equity    | REITs        |
| 5.9%         | 16.1%        | 15.1%        | 0.1%         | 16.3%        | 7.3%         | 4.9%         | -0.4%        | 11.6%        | 14.6%        | -4.4%        | 19.5%        | 8.3%         | 13.5%        | -13.9%       | 14.0%        | 8.1%         | 2.8%         |
| DM Equity    | Large Cap    | High Yield   | Asset Alloc. | Large Cap    | REITs        | Cash         | Asset Alloc. | REITs        | High Yield   | Asset Alloc. | EM Equity    | Fixed Income | DM Equity    | DM Equity    | REITs        | Com dty.     | High Yield   |
| 5.7%         | 15.1%        | 14.8%        | -0.7%        | 16.0%        | 2.9%         | 0.0%         | -2.0%        | 8.6%         | 10.4%        | -5.8%        | 18.9%        | 7.5%         | 11.8%        | -14.0%       | 11.4%        | 5.4%         | 1.8%         |
| EM Equity    | Asset Alloc. | Asset Alloc. | Small Cap    | Asset Alloc. | Cash         | High Yield   | High Yield   | Asset Alloc. | REITs        | Small Cap    | High Yield   | High Yield   | High Yield   | Large Cap    | EM Equity    | Cash         | Cash         |
| 3.4%         | 10.4%        | 13.3%        | -4.2%        | 12.2%        | 0.0%         | 0.0%         | -2.7%        | 8.3%         | 8.7%         | -11.0%       | 12.6%        | 7.0%         | 1.0%         | -18.1%       | 10.3%        | 5.3%         | 1.0%         |
| Fixed Income | High Yield   | DM Equity    | DM Equity    | Fixed Income | Fixed Income | EM Equity    | Small Cap    | Fixed Income | Fixed Income | Com dty.     | Fixed Income | Cash         | Cash         | EM Equity    | Fixed Income | REITs        | Asset Alloc. |
| 2.4%         | 9.4%         | 8.2%         | -11.7%       | 4.2%         | -2.0%        | -1.8%        | -4.4%        | 2.6%         | 3.5%         | -11.2%       | 8.7%         | 0.5%         | 0.0%         | -19.7%       | 5.5%         | 4.9%         | 0.6%         |
| Cash         | Fixed Income | Fixed Income | Com dty.     | Cash         | EM Equity    | DM Equity    | EM Equity    | DM Equity    | Com dty.     | DM Equity    | Com dty.     | Com dty.     | Fixed Income | Small Cap    | Cash         | DM Equity    | Large Cap    |
| 1.2%         | 4.7%         | 6.5%         | -13.3%       | 0.1%         | -2.3%        | -4.5%        | -14.6%       | 1.5%         | 1.7%         | -13.4%       | 7.7%         | -3.1%        | -1.5%        | -20.4%       | 5.1%         | 4.3%         | -4.3%        |
| Com dty.     | Cash         | Cash         | EM Equity    | Com dty.     | Com dty.     | Com dty.     | Com dty.     | Cash         | Cash         | EM Equity    | Cash         | REITs        | EM Equity    | REITs        | Com dty.     | Fixed Income | Small Cap    |
| -1.0%        | 0.9%         | 0.1%         | -18.2%       | -1.1%        | -9.5%        | -17.0%       | -24.7%       | 0.3%         | 0.8%         | -14.2%       | 2.2%         | -5.1%        | -2.2%        | -24.9%       | -7.9%        | 1.3%         | -9.5%        |





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