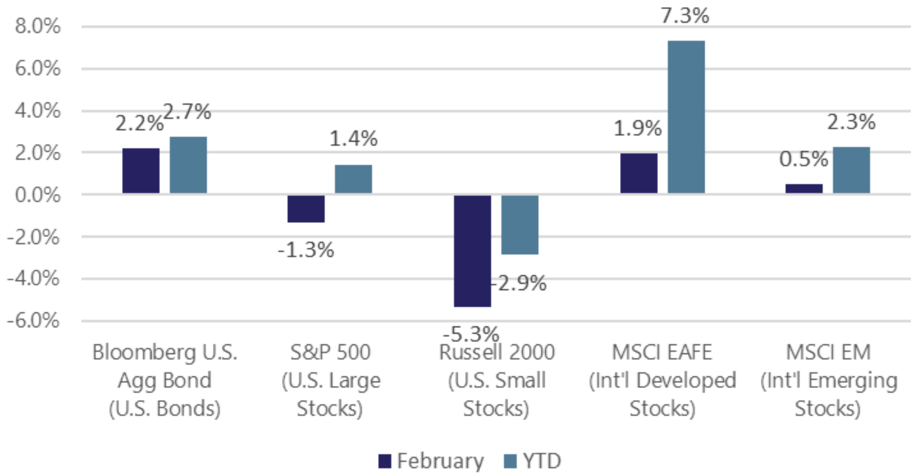
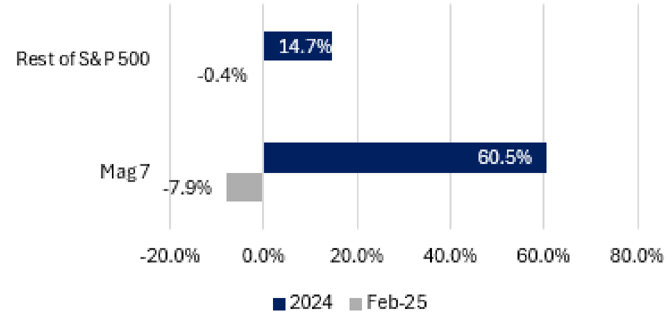
Performance



Mag 7 No Longer Leading

Magnificent 7 stocks, consisting of Alphabet, Apple, Amazon, Nvidia, Tesla, Microsoft, and Meta, were the main drivers of S&P 500 Index in 2024. Their strong performance caused their combined weighting in the index to exceed 30%[1], which is historically high. However, February 2025 was a different story. These stocks fell much more than the rest of the index, on average. High valuations, concerns over how tariffs will affect their bottom lines, and a general risk-off environment pushed these stocks lower during the month.

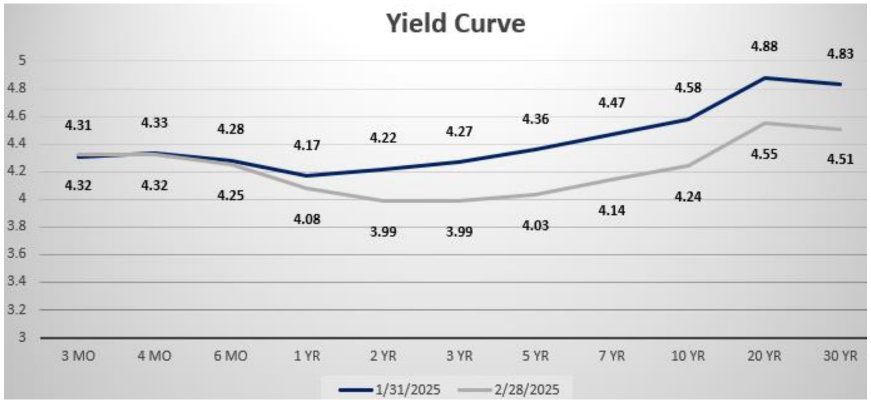


Market Review

- February was a tough month for domestic equities, as investors had to contend with tariff announcements from the Trump Administration along with economic data that seemed to point to a slowdown in U.S. growth. Investors rotated out of the high-flying tech stocks during the month, with the average Magnificent 7 stock falling 7.9%. Value and defensive stocks were the winners for the month. The Russell 1000 Value Index was the only domestic index in the black, rising 0.4%, helped by real estate and utilities.
- Foreign stocks continued their outperformance over domestic, with both developed and emerging markets stocks rising in February. Developed stocks were led by European stocks as there were increased hopes for a ceasefire in the Ukraine/Russia war. For emerging markets, China led the way after DeepSeek spurred their tech sector to rise dramatically.
- Treasury yields generally declined, helping fixed income show solid gains for the month. U.S. growth concerns, expected tariffs, and ongoing inflation concerns helped bring yields lower.
- Economic data for the month was mostly weak. The U.S. jobs report for January showed less jobs were created than expected, the January CPI report showed inflation stayed higher than expected, and consumer sentiment took a hit as consumers are becoming concerned about inflation due to expected tariffs.

Treasuries Rise on Falling Yields

The Treasury yield curve moved materially lower during the month, helping to boost fixed income returns. The Bloomberg U.S. Treasury returned 2.2% for the month. U.S. growth concerns arose after several data releases pointed towards a potential slowdown. Consumer spending data, including retail sales, also fell more than expected. Consumers are the drivers of our economy and their spending fuels growth. Yields in the intermediate and long-ends of the curve tend to move according to growth and inflation expectations.



[1] Weightings in the Vanguard S&P 500 Index used as a proxy for the S&P 500 Index.