

Market Review

Snapshot

Despite reaching two closing highs in February, U.S. stocks (S&P 500 Index) finished the month lower. Non-U.S. developed and emerging markets stocks advanced and outperformed U.S. stocks. Elsewhere, U.S. bonds delivered their second consecutive monthly gain.

- Amid tariff policy uncertainty, housing market weakness and a rise in first-time jobless claims, U.S. stocks fell more than 1% in February.
- Sector results were mixed. Defensive sectors, including consumer staples and real estate, rallied, while the cyclical consumer discretionary and communication services sectors declined.
- Non-U.S. developed markets stocks rallied for the month, outperforming their U.S. peers. European stocks were notably strong, broadly aided by positive earnings revisions. Emerging markets stocks advanced fractionally in February.
- The U.S. futures market expects the Fed to remain on hold until June when it's showing a 54% probability of a 25-bps rate cut. The Bank of England cut rates in February, and many observers expect the European Central Bank to ease more amid weak growth data.
- The annual rate of U.S. headline inflation (CPI) edged higher for the fourth straight month in January, while core inflation also rose. U.K. inflation accelerated sharply in January, while eurozone headline inflation inched lower in February.
- Most U.S. stock market style and size indices declined in February. Large-cap stocks fared better than other size categories, while value outpaced growth across the board. Outside the U.S., large-cap stocks outperformed small-caps, and value outpaced growth.
- U.S. Treasury yields continued to decline in February, and the broad U.S. investment-grade bond index returned more than 2%.

Returns (%)

| INDEX | 1 MO | 3 MO | YTD | 1 YR | 3 YR | 5 YR | 10 YR |
|--|-------|--------|-------|-------|-------|-------|-------|
| U.S. Large-Cap Equity | | | | | | | |
| S&P 500 | -1.30 | -0.97 | 1.44 | 18.41 | 12.55 | 16.85 | 12.98 |
| U.S. Small-Cap Equity | | | | | | | |
| Russell 2000 | -5.35 | -10.89 | -2.87 | 6.69 | 3.34 | 9.39 | 7.23 |
| Intl. Developed Markets Equity | | | | | | | |
| MSCI World ex USA | 1.76 | 3.95 | 6.82 | 9.49 | 6.31 | 8.92 | 5.38 |
| Emerging Markets Equity | | | | | | | |
| MSCI Emerging Markets | 0.48 | 2.14 | 2.28 | 10.07 | 0.46 | 4.26 | 3.49 |
| Global Real Estate Equity | | | | | | | |
| S&P Global REIT | 2.45 | -3.50 | 4.15 | 11.17 | -0.72 | 2.88 | 3.02 |
| U.S. Fixed Income | | | | | | | |
| Bloomberg U.S. Aggregate Bond | 2.20 | 1.06 | 2.74 | 5.81 | -0.44 | -0.52 | 1.51 |
| Global Fixed Income | | | | | | | |
| Bloomberg Global Aggregate Bond | 1.43 | -0.18 | 2.01 | 2.98 | -2.83 | -1.95 | 0.45 |
| U.S. Cash | | | | | | | |
| Bloomberg U.S. 1-3 Month Treasury Bill | 0.33 | 1.10 | 0.70 | 5.15 | 4.22 | 2.58 | 1.82 |

Data as of 2/28/2025. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Equity Returns | Size and Style

| | | U.S. | | | |
|------|-------|---------|--------|---------|--------|
| | | QTD (%) | | YTD (%) | |
| | | Value | Growth | Value | Growth |
| Size | Large | 5.05 | -1.69 | 5.05 | -1.69 |
| | Small | -1.85 | -3.82 | -1.85 | -3.82 |

| | | Non-U.S. Developed Markets | | | |
|------|-------|----------------------------|--------|---------|--------|
| | | QTD (%) | | YTD (%) | |
| | | Value | Growth | Value | Growth |
| Size | Large | 8.82 | 5.70 | 8.82 | 5.70 |
| | Small | 3.90 | 1.64 | 3.90 | 1.64 |

| | | Emerging Markets | | | |
|------|-------|------------------|--------|---------|--------|
| | | QTD (%) | | YTD (%) | |
| | | Value | Growth | Value | Growth |
| Size | Large | 3.07 | 1.90 | 3.07 | 1.90 |
| | Small | -4.39 | -6.30 | -4.39 | -6.30 |

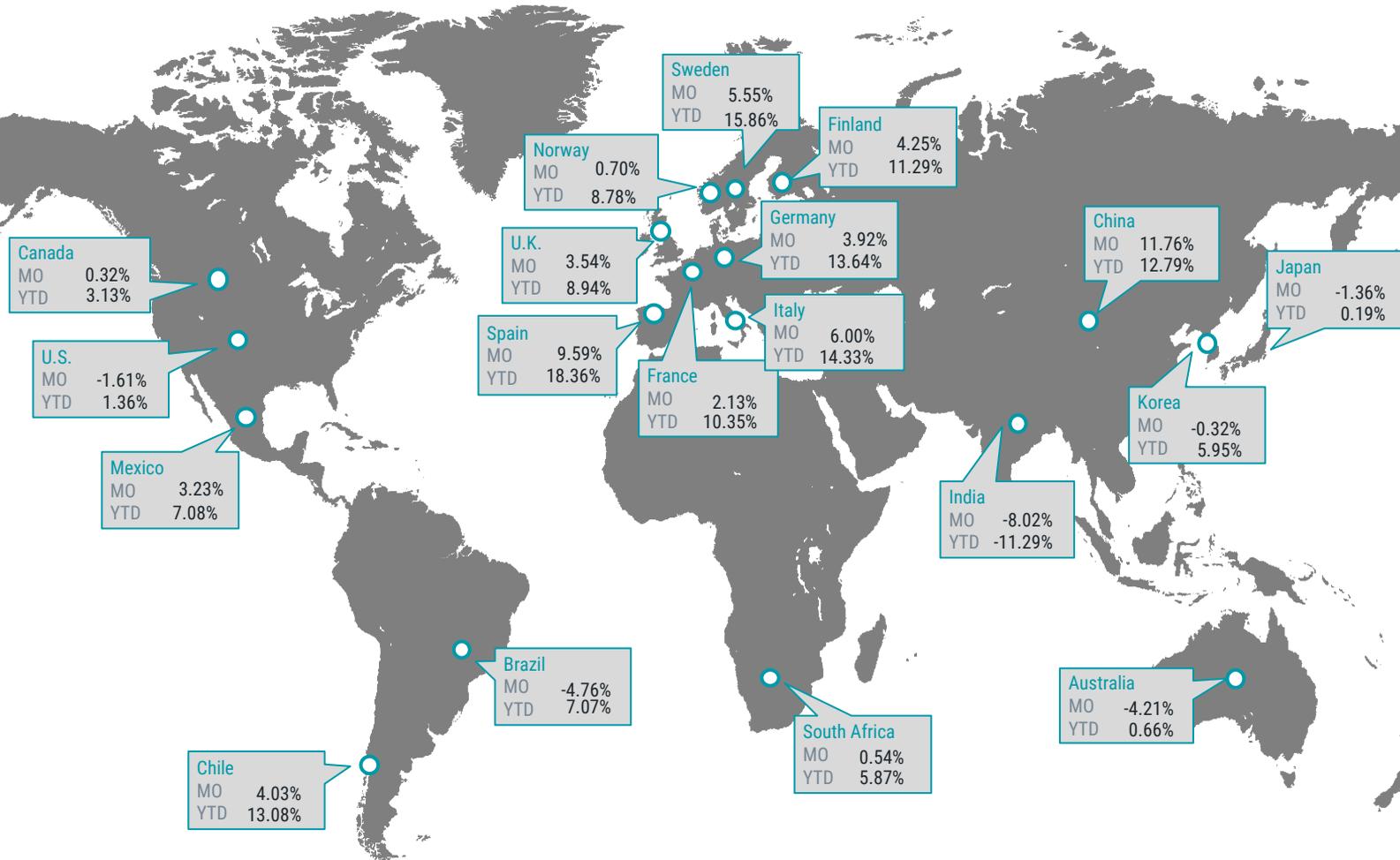
- The broad U.S. stock market index and most size and style indices declined in February. Year to date, the broad index advanced, while style indices were mixed.
- Small-cap stocks declined more than their large-cap peers in February. Year to date, large-caps advanced more than 1%, while small-caps declined nearly 3%.
- Value stocks outperformed growth stocks across the board in February and year to date. Large-cap value stocks were among the top year-to-date performers, gaining 5%.

- Non-U.S. developed markets stocks broadly advanced and outperformed U.S. stocks for the month and year to date. All key size and style indices were up year to date.
- In February, large-cap stocks outperformed small-caps, which declined slightly. Year to date, large-cap stocks gained more than 7% and sharply outperformed small-caps.
- Value stocks outperformed their growth-style peers for the month and year to date. Large-cap value stocks were top year-to-date performers, gaining nearly 9%.

- The emerging markets (EM) stock index was up slightly for the month and more than 2% year to date.
- Large-cap stocks outperformed small-cap stocks in February and year to date. For the year-to-date period, large-caps gained 2.5%, while small-caps declined more than 5%.
- The value style outperformed the growth style across the size spectrum in February and year to date. Large-cap value stocks were top EM performers for both periods, gaining nearly 2% in February and 3% year to date.

Data as of 2/28/2025. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Data as of 2/28/2025. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

U.S. bonds posted their second straight monthly gain in February. U.S. Treasury yields declined amid some weaker economic data and ongoing uncertainties about tariffs.

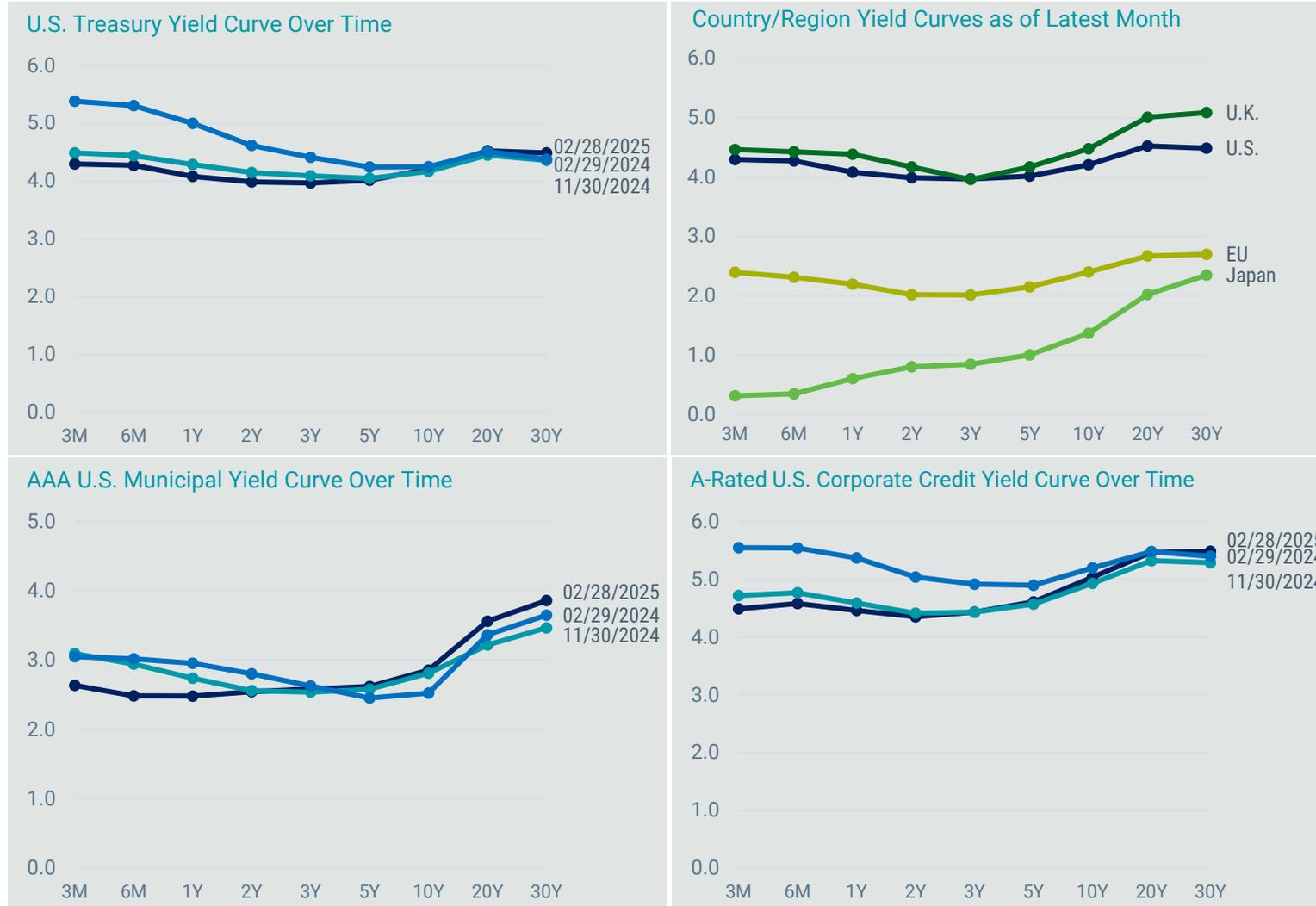
- The Bloomberg U.S. Aggregate Bond Index advanced more than 2% in February, bringing its year-to-date return to nearly 3%. MBS were top performers for both periods.
- Treasury yields broadly declined amid ongoing tariff policy uncertainty, housing market weakness and a rise in initial jobless claims. The yield on the 10-year Treasury note dropped 32 bps to 4.22%. The two-year Treasury yield fell 21 bps to 4.01%.
- Investment-grade and high-yield credit spreads widened in February. Investment-grade corporates advanced but underperformed Treasuries, MBS and the broad bond market index. High-yield corporates were up slightly and underperformed investment-grade bonds.
- Inflation and labor market data continued to support the Fed's wait-and-see approach to monetary policy. Market indicators suggested the Fed would remain on hold until mid-year.
- While annualized headline and core CPI edged higher in January, the Fed's preferred inflation gauge, the annual core PCE price index, eased. After climbing to 2.9% in December, the index slowed to 2.6% in January, closer to the Fed's 2% target.
- Municipal bonds advanced for the month but lagged the broad Treasury market's return.
- Longer-term inflation expectations eased modestly in February, and TIPS performed in line with nominal Treasuries.

Returns (%)

| INDEX | 1 MO | 3 MO | YTD | 1 YR | 3 YR | 5 YR | 10 YR |
|--|------|-------|------|-------|-------|-------|-------|
| Global Fixed Income | | | | | | | |
| Bloomberg Global Aggregate Bond | 1.43 | -0.18 | 2.01 | 2.98 | -2.83 | -1.95 | 0.45 |
| U.S. Fixed Income | | | | | | | |
| Bloomberg U.S. Aggregate Bond | 2.20 | 1.06 | 2.74 | 5.81 | -0.44 | -0.52 | 1.51 |
| U.S. High-Yield Corporate | | | | | | | |
| Bloomberg U.S. Corporate High Yield Bond | 0.67 | 1.61 | 2.05 | 10.09 | 4.94 | 4.93 | 5.06 |
| U.S. Investment Grade | | | | | | | |
| Bloomberg U.S. Corporate Bond | 2.04 | 0.62 | 2.60 | 6.56 | 0.38 | 0.09 | 2.49 |
| Municipals | | | | | | | |
| Bloomberg Municipal Bond | 0.99 | 0.02 | 1.50 | 2.96 | 0.99 | 0.67 | 2.33 |
| U.S. TIPS | | | | | | | |
| Bloomberg U.S. TIPS | 2.18 | 1.87 | 3.50 | 6.36 | -0.77 | 1.86 | 2.40 |
| U.S. Treasuries | | | | | | | |
| Bloomberg U.S. Treasury Bond | 2.16 | 1.10 | 2.68 | 4.95 | -1.17 | -1.15 | 0.99 |
| U.S. Cash | | | | | | | |
| Bloomberg U.S. 1-3 Month Treasury Bill | 0.33 | 1.10 | 0.70 | 5.15 | 4.22 | 2.58 | 1.82 |

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Global Yield Curves



Data as of 2/28/2025. Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).