

A decorative geometric pattern of overlapping triangles in various shades of blue and green is overlaid on the left side of the image. A prominent white triangle with a blue shadow is positioned to the left of the main title text.

**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

FEBRUARY 2025
Capital Markets Update

Market commentary

U.S. ECONOMICS

- U.S. job growth slightly missed expectations in February. Nonfarm payrolls reported 151,000 jobs added, just 9,000 jobs short of the 160,000 expected to be added over the month. Federal government employment declined by 10,000 jobs, which likely reflects the initial effects of Department of Government Efficiency (DOGE) organizational cuts. Unemployment moved up to 4.1% from 4.0% in January.
- The ISM Services Index came in at 53.5, marginally stronger than expectations of 52.5. Respondents to the survey cited continued anxiety as tariff negotiations have created much uncertainty.
- Headline CPI climbed +0.5% in January, hotter than expectations, bringing year-over-year inflation to 3.0%. Core CPI rose +0.4%, bringing year-over-year core inflation to 3.3%. Shelter costs continue to support elevated inflation with a +0.4% increase in prices accounting for 30% of the overall inflation figure. We expect inflation pressures to largely guide the Federal Reserve in future rate decisions.

U.S. EQUITIES

- U.S. equities set a new all-time high of 6,144 on February 19th but ultimately closed the month down -1.3%. *Higher for longer* sentiment appears to have eased, as weaker economic data prints and negative sentiment contributed to a stock market sell-off.
- In a change of pace from 2024, mega-cap stocks acted as a drag on the overall index. The S&P 500 year-to-date return of +1.4% would have instead been +3.3% if the Magnificent Seven stocks were excluded. Despite this underperformance, mega-cap companies continue to maintain significantly higher profit margins compared to the broader market, posting 23.3% in Q4 2024 relative to 10.5% from the remaining constituents.

U.S. FIXED INCOME

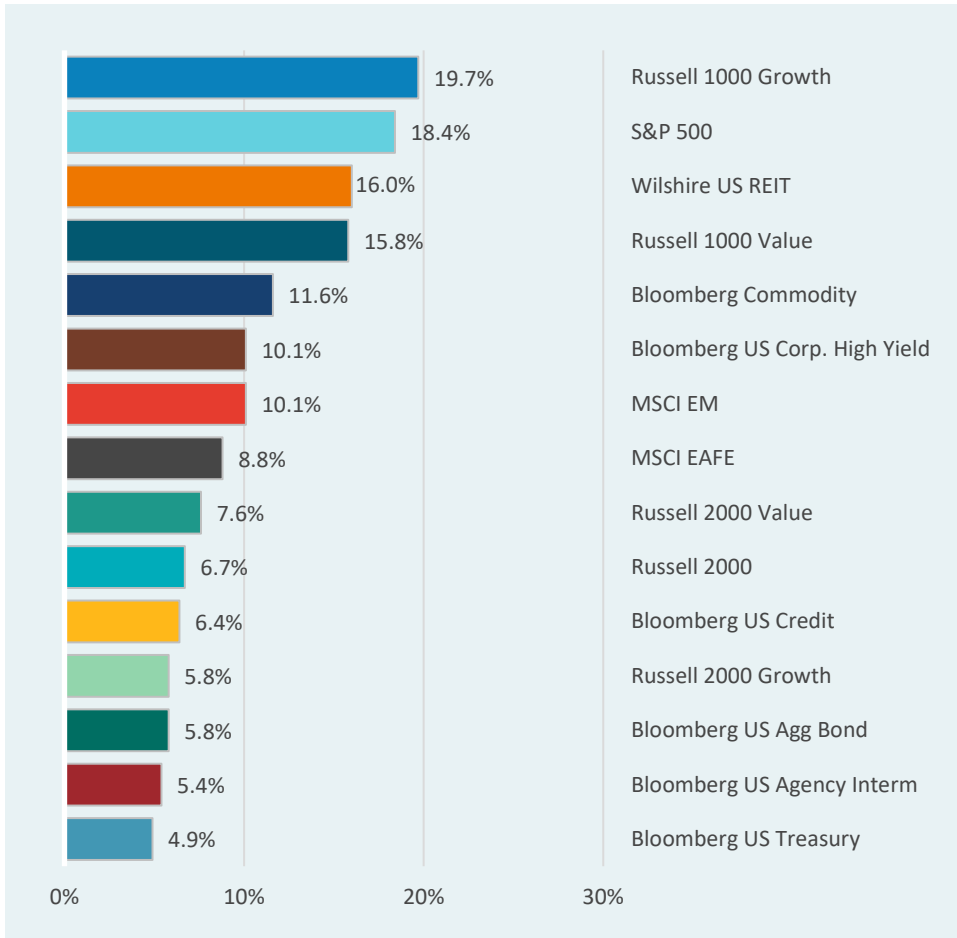
- Fixed income markets were positive across the board, as a drop in yields pushed bond prices higher. Investor expectations for the number of future rate cuts increased, fueled by economic uncertainty, although the Federal Reserve released its semiannual Monetary Policy Report reaffirming its commitment to achieving maximum employment and stable prices.
- In February, 2-year and 10-year U.S. Treasury yields fell by -23bps and -34bps, respectively, as investors reacted to mixed economic signals. A decline in consumer sentiment and weak job growth drove concerns that the U.S. economy could be slowing. Long U.S. Treasuries were the top gainer amongst the fixed income complex, up +5.2% during the month.

INTERNATIONAL MARKETS

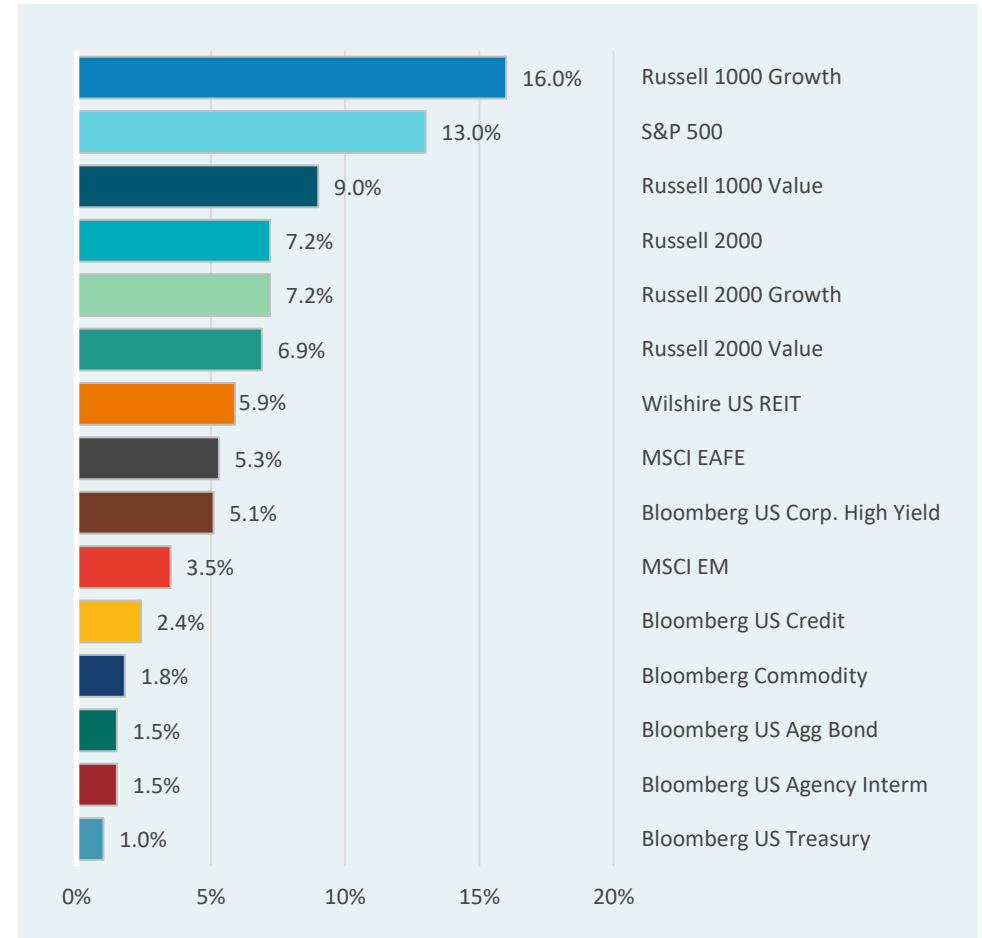
- German elections concluded February 23rd with a win for the conservative Christian Democratic Union (CDU) and its alliance the Christian Social Union (CSU) with 28.6% of the vote. A two-way coalition with the runner-up Alternative for Germany (AFD) is unlikely to form despite its rise in popularity this election.
- On February 5th, the Bank of England (BOE) decided with a seven-two vote to cut interest rates by 25bps to 4.5%. This marked the third consecutive cut over the past six months. The BOE cited cooler-than-expected December inflation as a main contributing factor.
- Chinese equities climbed notably in February (MSCI China Index +11.3%). On the heels of the DeepSeek launch in January, President Xi Jinping reportedly met with tech leaders for the first time in several years. This meeting could help to bolster investor confidence in Chinese tech despite ongoing structural challenges across the domestic investment landscape.

Major asset class returns

ONE YEAR ENDING FEBRUARY



TEN YEARS ENDING FEBRUARY



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 2/28/25

Source: Morningstar, as of 2/28/25

U.S. large cap equities

- The S&P 500 Index reversed course following a weak consumer sentiment report. The index was down -1.3% in February, bringing the year-to-date return to +1.4%.
- The Magnificent Seven stocks extended their decline in February, weighing on the S&P 500, which fell -1.3% for the month. Excluding their impact, the index would have posted a +0.4% gain. Year-to-date, the S&P 500's +1.4% return would have been +3.3% without the inclusion of these companies. Market concentration eased slightly, as the top 10 stocks by market cap saw their combined weight in the S&P 500 decline from 37.7% to 36.4% over the month.
- Performance was mixed across sectors with 6 of 11 posting negative returns in February. Consumer Staples (+5.7%) and Real Estate (+4.2%) led the way, while Consumer Discretionary (-9.3%) and Communication Services (-6.3%) were the largest detractors.
- Despite a market pullback, earnings continued to show strength. Fourth quarter 2024 earnings reflected 75% of companies beating earnings expectations and 63% beating revenue expectations (with 484 of 500 businesses reporting thus far). In 2025, earnings are expected to rise +14.3%, with a P/E of 22.3, while initial estimates for 2026 are for a +14.7% increase, with a P/E of 19.4.

S&P 500 PRICE INDEX



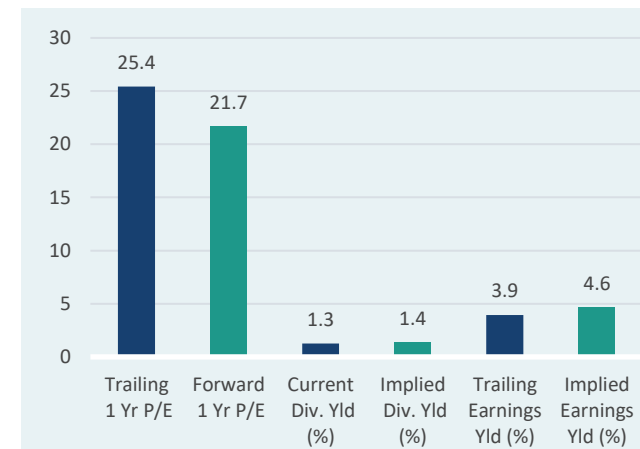
Source: S&P, as of 2/28/25

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, based on closing price, as of 2/28/25

S&P 500 VALUATION SNAPSHOT

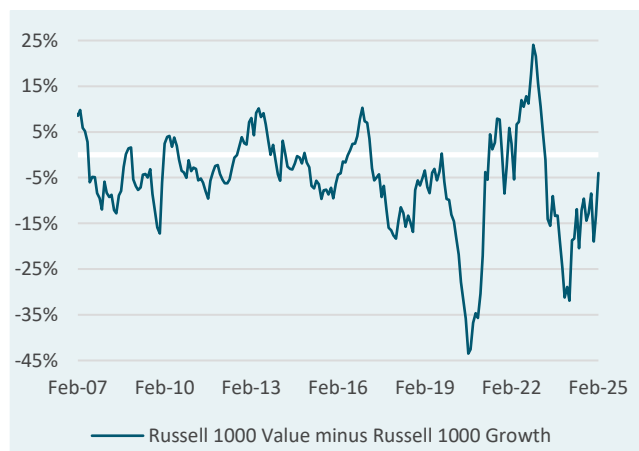


Source: S&P, as of 2/28/25

Domestic equity size & style

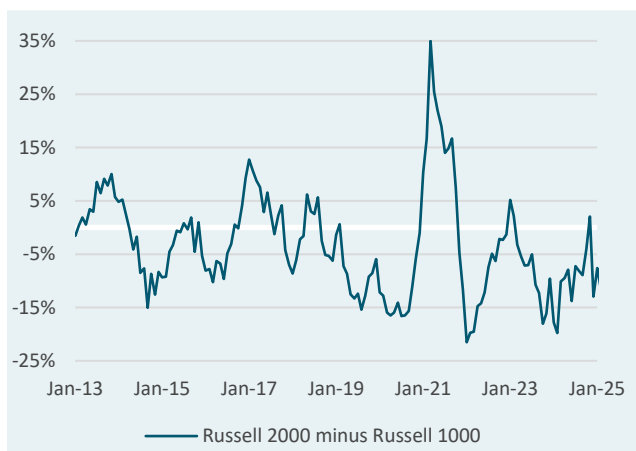
- During February, large-cap value (Russell 1000 Value +0.4%) continued outperforming relative to large-cap growth (Russell 1000 Growth -3.6%) for the second consecutive month. Large-cap growth trades at 27.8x forward earnings, a 43% premium above the 20-year average.
- Among size and style factors, large-cap value was the top performer, up +0.4%. Over the past year, however, large-cap growth has been the clear winner, with +27.9% performance relative to +20.0% from large-cap value.
- Large-cap equities further outperformed in February, with the Russell 1000 declining -1.7%, while small caps lagged further (Russell 2000 -5.3%). Amid economic uncertainty and shifts in the administrative agenda, investors gravitated toward higher-quality companies, which are predominantly found in the large-cap segment.
- Small-cap growth fell -6.8% as it trades at a forward price/earnings ratio of 38.9 times earnings, a -33% discount to the 20-year average of 57.8 times earnings.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE Russell, as of 2/28/25

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE Russell, as of 2/28/25

1-YEAR SIZE & STYLE PERFORMANCE

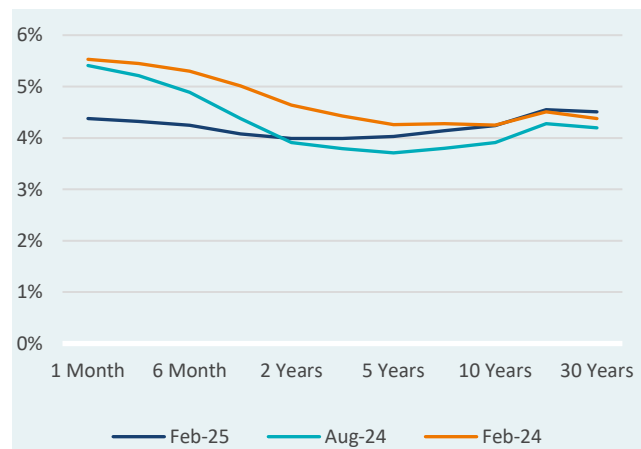
	Value	Core	Growth
Large Cap	20.0%	24.5%	27.9%
Mid Cap	17.0%	18.5%	23.2%
Small Cap	11.1%	12.7%	14.4%

Source: FTSE Russell, as of 2/28/25

Fixed income

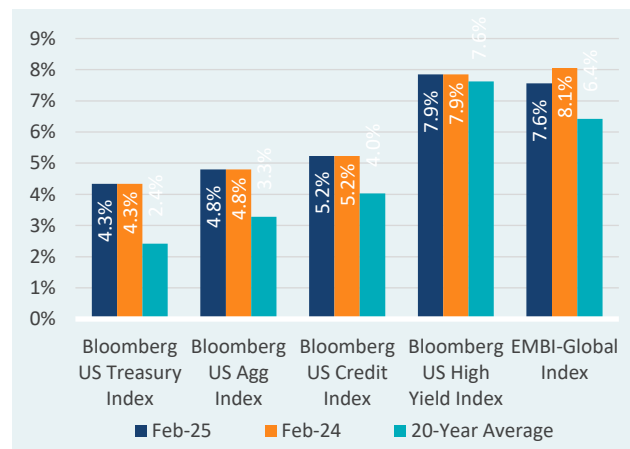
- U.S. core bonds produced positive returns in February (Bloomberg U.S. Aggregate Index +2.2%), as both the 2- and 10-year U.S. Treasury yield fell -23bps and -34bps, respectively. Investors attributed recent declines in consumer sentiment and sticky inflation as signals that the U.S. economy could be showing signs of slowing.
- The Bloomberg U.S. Treasury Long Index was the top performer among major fixed income indices, returning +5.2%. Higher duration bonds have benefited the most as investors foresee more rate cuts in 2025 on the back of economic weakness.
- The U.S. Treasury Implied Volatility (“MOVE” Index) spiked from 96 to 104 on the last day of February. The index trended higher in the latter half of February, following a mid-month low of 84. Shifts in volatility could reflect a market reaction to the interplay between sticky inflation, labor market dynamics, and rising geopolitical tensions.
- High-yield corporate bonds gained 0.7% in February, while senior loans saw a flat return of 0.0%. Spreads widened by 9bps across high yield and by 5bps in loans. However, both asset classes likely benefited from subdued issuance, with high-yield supply remaining below \$2.0 billion and loan issuance totaling approximately \$8.5 billion.

U.S. TREASURY YIELD CURVE



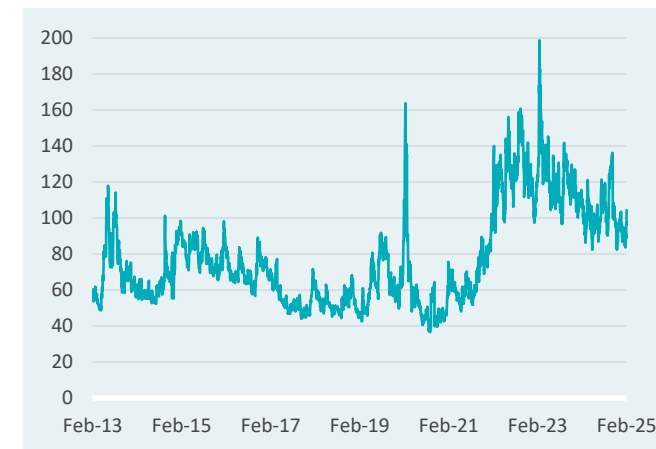
Source: U.S. Treasury, as of 2/28/25

NOMINAL YIELDS



Source: Morningstar, as of 2/28/25

U.S. TREASURY IMPLIED VOL (“MOVE” INDEX)

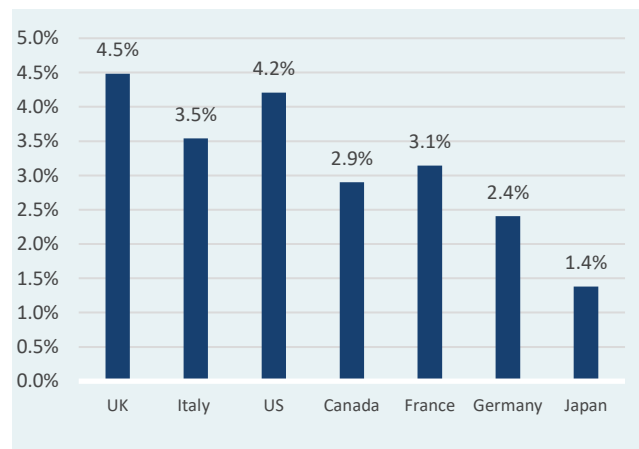


Source: BofA, as of 2/28/25

Global markets

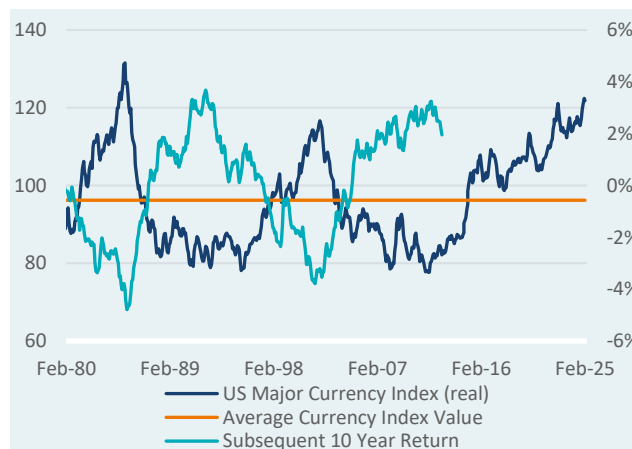
- Non-U.S. equities (MSCI ACWI ex-U.S. +1.4%) outperformed the MSCI ACWI by +0.8%. MSCI UK (+3.5%) and MSCI Europe (+3.5%) were top contributors to index returns.
- On February 23rd, German elections concluded with the right-wing party Alternative for Germany (AFD) finishing second with 20.8% of the vote, which was nearly double its voter share from the 2021 elections. Despite its popularity, the election winners, the CDU/CSU, have dismissed the idea of a joint coalition. The MSCI Germany Index ended the month up +3.9%.
- UK January headline CPI came in hotter-than-expected at 3.0% year-over-year, up from 2.5% in December. Core CPI also rose to 3.7% year-over-year, up from 3.2%. The largest contribution to the print was a rise in transportation and food costs. The print comes on the heels of the Bank of England’s decision to cut rates an additional 25bps to 4.50% earlier this month.
- Chinese equities continued to rally in February with the MSCI China Index (+11.3%). Chinese markets have gained notably since the beginning of 2025, which may largely be attributed to optimism around the tech sector following the launch of DeepSeek and recent AI advancements.

GLOBAL SOVEREIGN 10-YEAR YIELDS



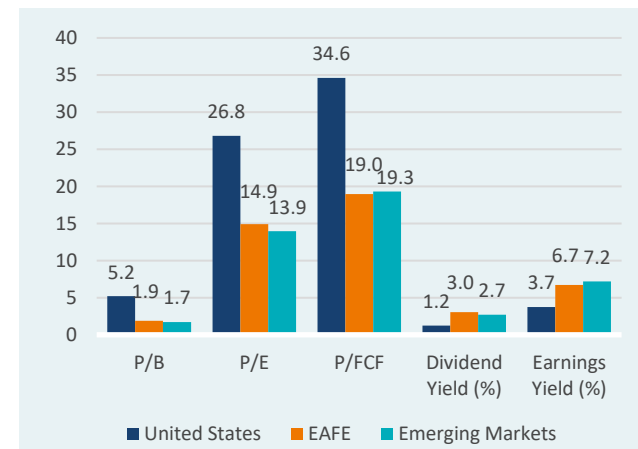
Source: Bloomberg, as of 2/28/25

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/28/25

MSCI VALUATION METRICS (3-MONTH AVG)

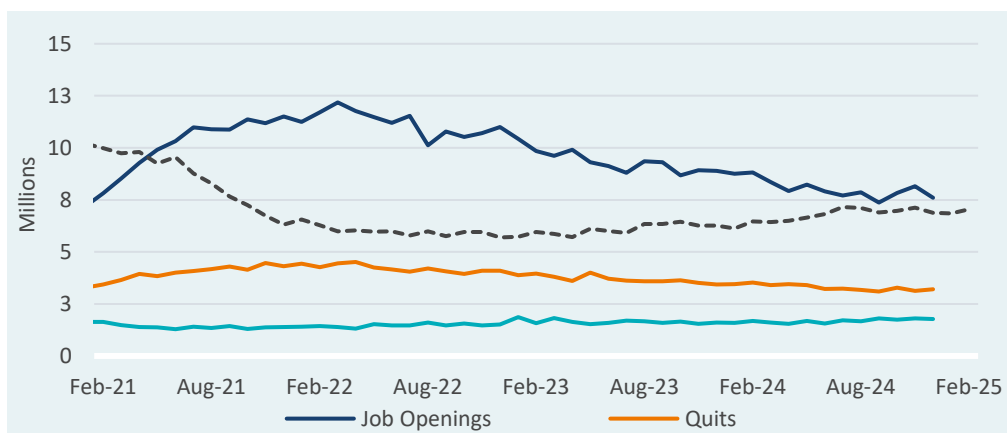


Source: MSCI, as of 2/28/25 – price metrics are trailing

U.S. economic review

Data Print	Period	Prior	Estimate	Actual
Change in Nonfarm Payrolls	Feb	125,000	160,000	151,000
Unemployment Rate	Feb	4.0%	4.0%	4.1%
CPI MoM	Jan	0.4%	0.3%	0.5%
CPI YoY	Jan	2.9%	2.9%	3.0%
CPI Ex Food and Energy MoM	Jan	0.2%	0.3%	0.4%
ISM Manufacturing	Feb	51	51	50
ISM Services Index	Feb	53	53	54
Conf. Board Consumer Confidence	Feb	105	103	98
S&P Global US Manufacturing PMI	Feb	52	52	53
S&P Global US Composite PMI	Feb	50	50	52
S&P Global US Services PMI	Feb	50	50	51
U. of Mich. Sentiment	Feb	72	68	65

LABOR MARKET METRICS



Source: FRED, as of 2/28/25

Labor Market

- Nonfarm payrolls rose in February with 151,000 jobs added, missing market expectations of 160,000. The BLS noted that Federal government employment declined by 10,000 jobs, a likely affect of DOGE’s organizational cuts. The January jobs report was revised down by 15,000 from 140,000 to 125,000 jobs added.
- Challenger, the global outplacement services firm, reported that U.S. employers announced 172,012 job cuts for February. This marked the largest monthly total since July 2020 at the height of the Covid-19 pandemic. Government, Retail, and Technology sectors have fueled the surge of job cuts in 2025.

Consumers

- Consumer sentiment came in at 65, down from 72 in January. All five subindexes continued to decline over the month, led in part by a 19% drop in buying conditions for durables. Respondents reported a sense of unease in the face of rising inflation data and imminent tariff-induced price pressures.

Looking Ahead

- Federal Reserve meeting minutes indicated that officials would need to see further progress on inflation to warrant future interest rate cuts. Officials remain cognizant of the potential impacts that trade and immigration policy changes could have on the economy.

Appendix

Periodic table of returns

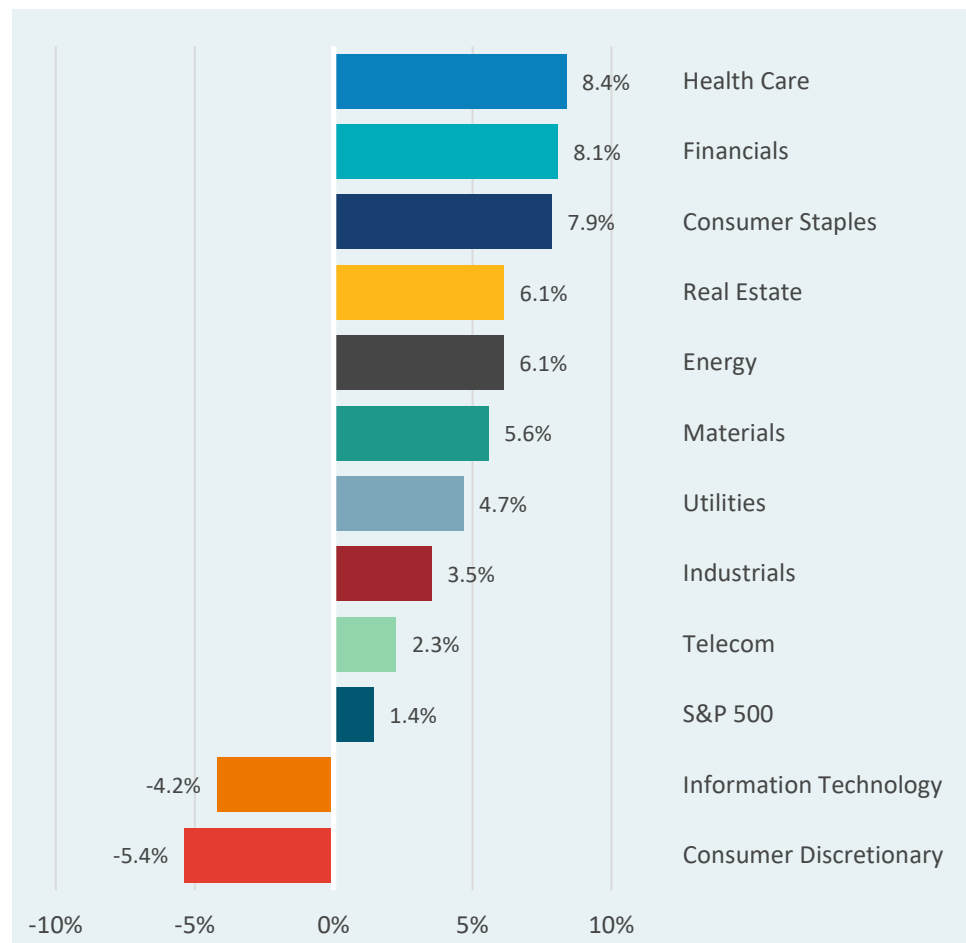
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	5-Year	10-Year
Large Cap Growth	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	33.4	7.3	19.7	16.0
Large Cap Equity	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	24.5	5.1	16.5	12.7
Large Cap Value	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	18.7	15.2	4.8	12.5	9.0
Small Cap Growth	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	18.2	14.4	2.7	10.6	7.2
Emerging Markets Equity	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	16.9	11.5	2.5	10.3	7.2
Small Cap Equity	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	15.4	9.9	2.3	9.4	6.9
60/40 Global Portfolio	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	14.6	9.5	1.4	8.7	5.8
Small Cap Value	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	11.5	8.1	1.2	7.9	5.7
International Equity	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	9.8	7.5	0.9	6.9	5.3
Hedge Funds of Funds	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	6.3	5.4	0.7	5.7	3.7
Cash	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	5.5	5.3	-1.7	4.3	3.5
Commodities	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	5.0	3.8	-1.9	3.1	1.8
US Bonds	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-7.9	1.3	-2.9	2.5	1.8
Real Estate	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-7.9	0.4	-3.8	-0.5	1.5



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 12/31/24.

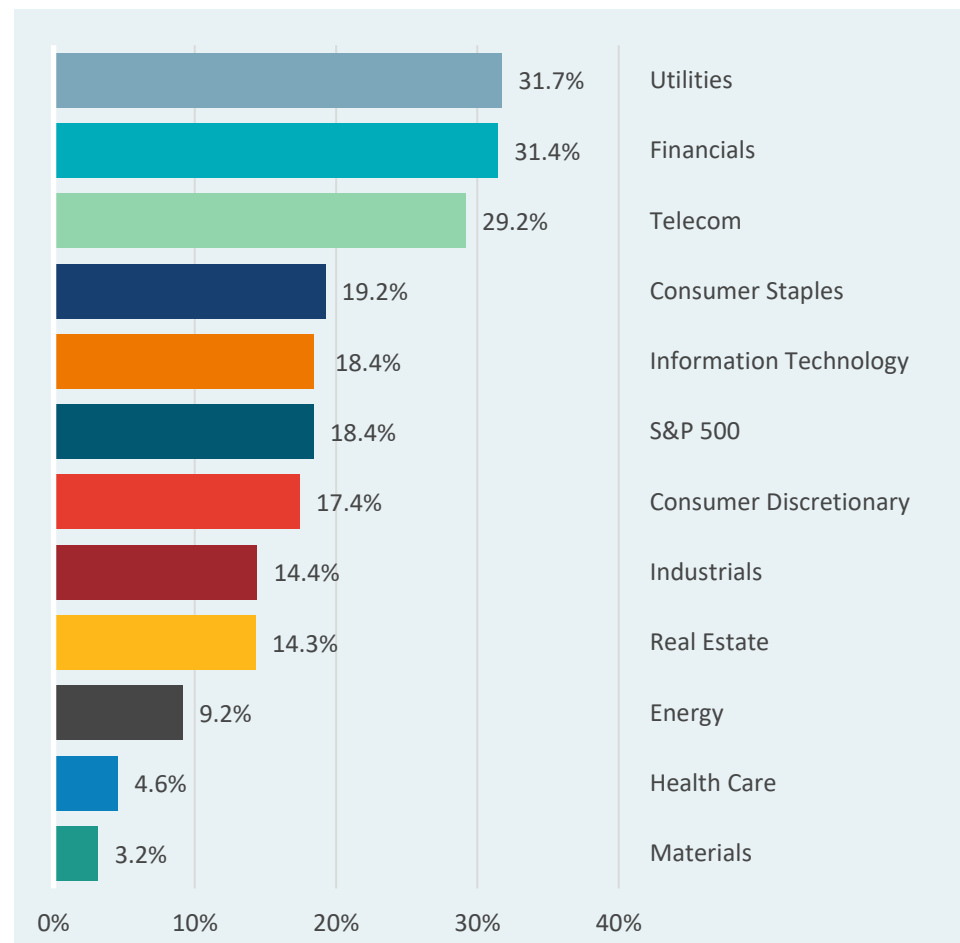
S&P 500 sector returns

QTD



Source: Morningstar, as of 2/28/25

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/28/25

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(1.3)	1.4	1.4	18.4	12.6	16.9	13.0
S&P 500 Equal Weighted	(0.6)	2.9	2.9	12.5	7.3	13.9	10.3
DJ Industrial Average	(1.4)	3.3	3.3	14.4	11.2	13.8	11.7
Russell Top 200	(1.4)	1.4	1.4	19.9	13.7	17.9	13.9
Russell 1000	(1.7)	1.4	1.4	18.1	12.1	16.5	12.7
Russell 2000	(5.3)	(2.9)	(2.9)	6.7	3.3	9.4	7.2
Russell 3000	(1.9)	1.2	1.2	17.5	11.6	16.1	12.4
Russell Mid Cap	(2.8)	1.3	1.3	12.2	7.2	12.4	9.3
Style Index							
Russell 1000 Growth	(3.6)	(1.7)	(1.7)	19.7	14.8	19.7	16.0
Russell 1000 Value	0.4	5.1	5.1	15.8	8.7	12.5	9.0
Russell 2000 Growth	(6.8)	(3.8)	(3.8)	5.8	3.6	7.9	7.2
Russell 2000 Value	(3.8)	(1.9)	(1.9)	7.6	2.8	10.3	6.9

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(0.6)	2.7	2.7	15.1	9.1	12.8	9.1
MSCI ACWI ex US	1.4	5.5	5.5	9.7	4.6	7.6	4.8
MSCI EAFE	1.9	7.3	7.3	8.8	6.4	8.7	5.3
MSCI EM	0.5	2.3	2.3	10.1	0.5	4.3	3.5
MSCI EAFE Small Cap	(0.3)	3.1	3.1	6.4	0.7	5.7	5.2
Style Index							
MSCI EAFE Growth	0.1	5.5	5.5	3.0	3.7	7.2	5.7
MSCI EAFE Value	3.7	9.0	9.0	15.1	9.1	9.9	4.6
Regional Index							
MSCI UK	3.5	8.9	8.9	18.7	7.7	9.8	4.2
MSCI Japan	(1.4)	0.2	0.2	0.7	5.1	7.2	5.4
MSCI Euro	3.5	11.8	11.8	9.6	9.4	10.5	5.7
MSCI EM Asia	0.7	1.4	1.4	13.2	0.8	4.9	4.5
MSCI EM Latin American	(1.8)	7.5	7.5	(16.7)	0.5	1.8	1.3

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	2.2	3.5	3.5	6.4	(0.8)	1.9	2.4
Bloomberg US Treasury Bills	0.3	0.7	0.7	5.2	4.1	2.6	1.9
Bloomberg US Agg Bond	2.2	2.7	2.7	5.8	(0.4)	(0.5)	1.5
Bloomberg US Universal	2.1	2.7	2.7	6.3	0.1	(0.1)	1.9
Duration							
Bloomberg US Treasury 1-3 Yr	0.7	1.1	1.1	5.3	2.2	1.3	1.5
Bloomberg US Treasury Long	5.2	5.6	5.6	3.4	(8.6)	(6.6)	(0.4)
Bloomberg US Treasury	2.2	2.7	2.7	4.9	(1.2)	(1.2)	1.0
Issuer							
Bloomberg US MBS	2.6	3.1	3.1	6.5	(0.3)	(0.5)	1.1
Bloomberg US Corp. High Yield	0.7	2.0	2.0	10.1	4.9	4.9	5.1
Bloomberg US Agency Interm	1.0	1.6	1.6	5.4	1.6	0.8	1.5
Bloomberg US Credit	2.0	2.6	2.6	6.4	0.4	0.0	2.4

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	0.8	4.8	4.8	11.6	0.7	10.6	1.8
Wilshire US REIT	3.7	4.7	4.7	16.0	2.6	7.1	5.9
S&P UBS Leveraged Loan	0.2	0.9	0.9	8.2	7.2	6.1	5.1
S&P Global Infrastructure	0.1	2.5	2.5	21.7	7.4	7.6	6.2
Alerian MLP	3.2	12.4	12.4	30.2	25.5	22.6	4.6
Regional Index							
JPM EMBI Global Div	1.6	3.0	3.0	9.8	3.4	0.6	3.3
JPM GBI-EM Global Div	0.7	2.7	2.7	2.4	1.7	(0.4)	0.8
Hedge Funds							
HFRI Composite	(0.5)	0.4	0.8	8.1	5.4	7.8	5.2
HFRI FOF Composite	(0.1)	1.2	1.2	7.7	4.6	5.7	3.7
Currency (Spot)							
Euro	0.0	0.4	0.4	(3.9)	(2.5)	(1.1)	(0.8)
Pound Sterling	1.3	0.5	0.5	(0.5)	(2.1)	(0.3)	(2.0)
Yen	2.8	4.3	4.3	(0.7)	(8.6)	(6.5)	(2.3)

Source: Morningstar, HFRI, as of 2/28/25

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	5.0	1.5	14.5	12.3
<i>MSCI World Index (PME)</i>	32.3	9.6	13.4	9.8
Global Private Equity Direct Funds ¹	8.0	2.2	14.9	14.0
<i>MSCI World Index (PME)</i>	32.3	10.0	13.4	10.4
U.S. Private Equity Direct Funds ¹	7.8	2.7	16.3	15.1
<i>Russell 3000 Index (PME)</i>	35.0	11.2	15.6	13.0
Europe Private Equity Direct Funds ¹	12.3	3.9	15.0	13.9
<i>MSCI Europe Index (PME)</i>	25.0	7.7	9.6	6.2
Asia Private Equity Direct Funds ^{1,4}	2.9	(1.4)	8.4	10.5
<i>MSCI AC Asia Pacific Index (PME)</i>	31.7	(0.3)	6.7	6.6

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt ^{2,4}	7.9	8.4	11.9	10.5
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	9.5	6.6	5.9	5.2

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(1.8)	2.9	6.6	9.4
<i>FTSE NAREIT Equity REIT Index (PME)</i>	34.5	6.6	6.7	8.8

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ^{3,4}	4.7	13.4	8.3	3.0
<i>S&P Global Natural Resources Index (PME)</i>	7.1	8.4	10.5	6.0
Global Infrastructure ⁴	11.1	10.3	10.7	10.4
<i>S&P Global Infrastructure Index (PME)</i>	29.6	9.3	7.2	6.5

Source: Pooled IRRs and Public Market Equivalents (PMEs) are both from FTSE (previously Refinitiv) C/A, as of September 30th, 2024. All returns in U.S. dollars.

1. Includes Buyout, Growth Equity and Venture Capital.

2. Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

3. Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

4. Due to limited history of the PME, only the funds with the same vintage years as PMEs are included.

Notices & disclosures

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