2025 Mid-Year Market Review

Honest questions. Genuine advice.

VERABANK
WEALTH MANAGEMENT

2025 Mid-Year Market Review

This report features VeraBank Wealth Management market commentary, global stock and bond market performance data, and a timeline of events for the past quarter.

With commentary about what has taken place in the financial markets and economy from January 2025 through June 2025; you'll also find returns data for major asset classes which we also include in client portfolios.

The report concludes with our current views on the market and an article providing perspective on why estate planning is important at every stage of life.

Contact a VeraBank Wealth Management Advisor with any questions or if you know someone who might benefit from our expert advice.

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2025 Mid-Year Market Review

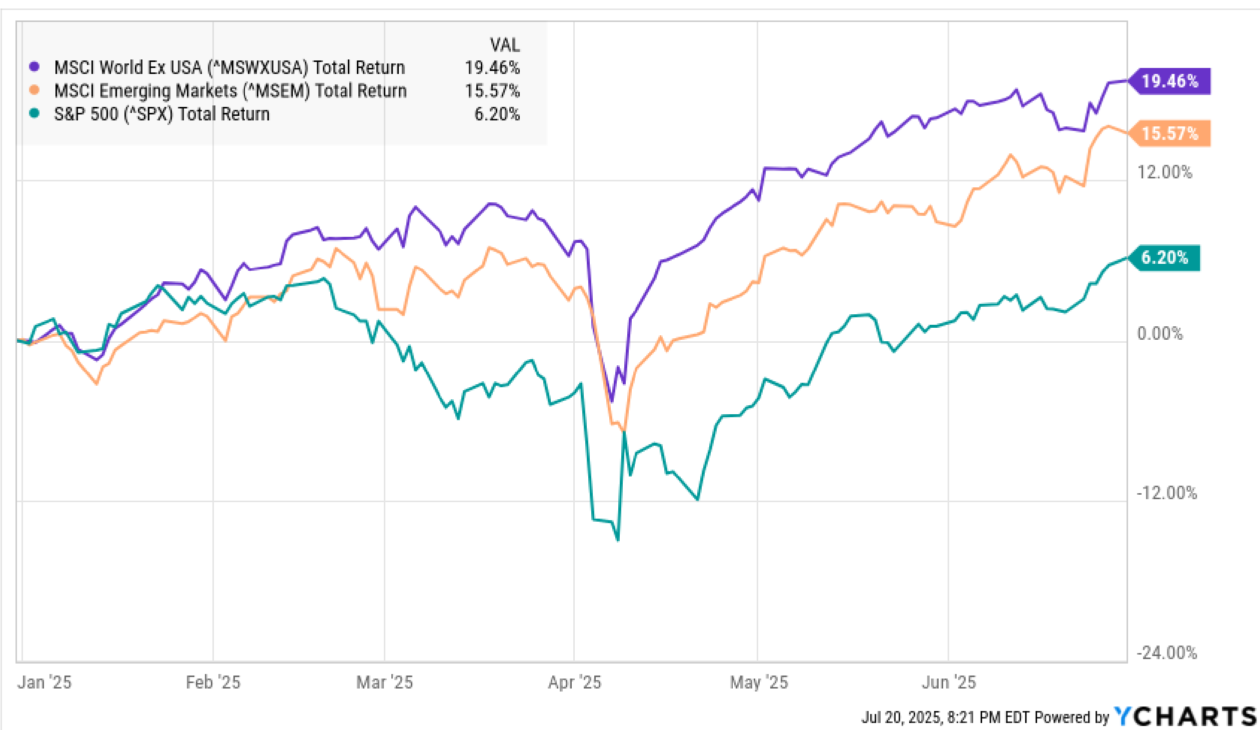
VeraBank Wealth Management Commentary

US Equity Markets Continue to Reach All-Time Highs, but International Equity Markets Outperform

- The volatility in equity markets throughout Q1 2025 disappeared in Q2, as investors grew comfortable with continued delays in high tariff rates. In Q2, global equity markets steadily increased after President Trump announced a 90-day pause on most reciprocal tariffs with most trading partners.

- During the first half of 2025, both the S&P 500 and the Nasdaq Composite achieved fresh all-time closing highs, driven by strong economic data and broad sector gains.

- Diversification Wins: Non-US stocks significantly outperformed the US stock market. Non-US developed country stocks (MSCI World Ex USA) increased 19.46% and Emerging Market country stocks (MSCI EM) rose 15.57%, while the US stock market (S&P 500) was up 6.20%.



2025 Mid-Year Market Review

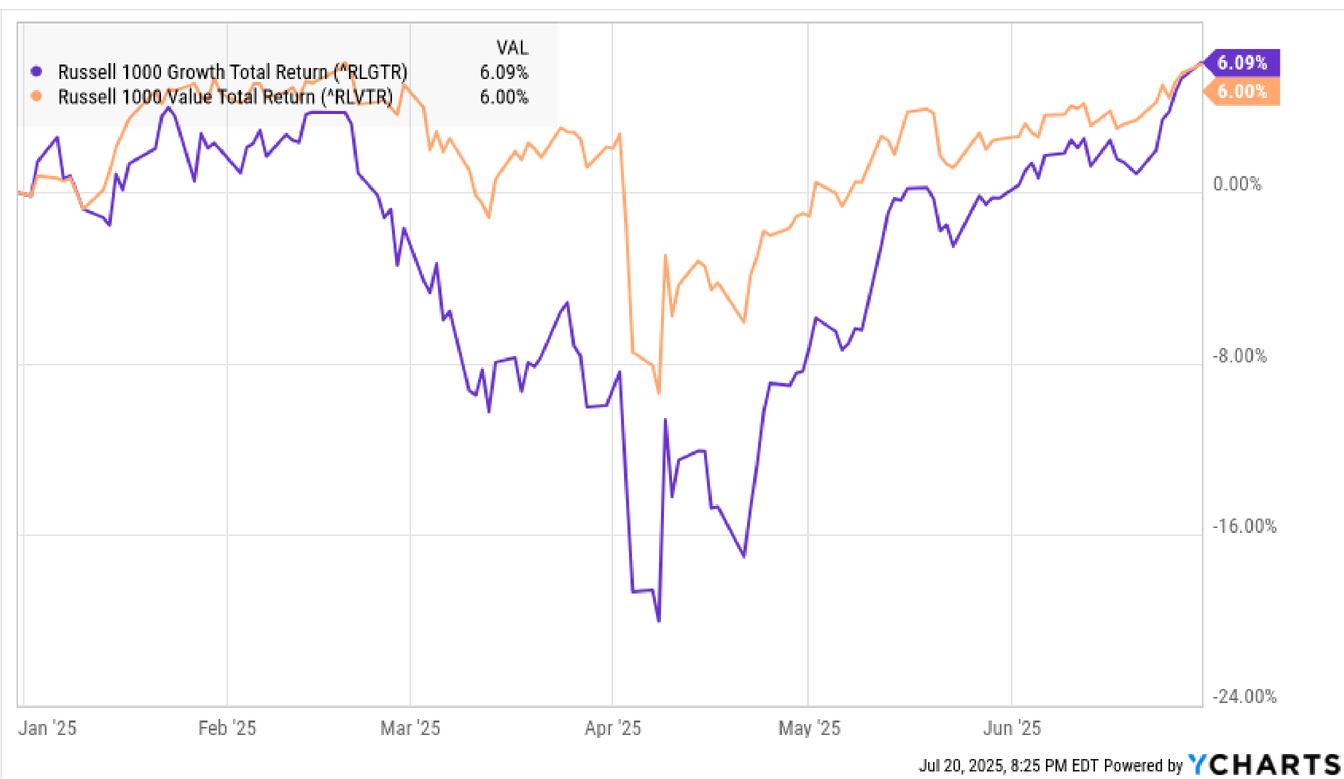
VeraBank Wealth Management Commentary

US Growth Companies Rally in Q2

- Growth company stocks are generally expected to grow earnings rapidly and often reinvest profits (e.g. technology companies), while Value company stocks are typically more established, undervalued companies that are more likely to offer dividends and slower, steadier returns (e.g. financials or energy companies).

- Diversification played an important role in performance within the US stock market throughout the first half of 2025. Large Value and Large Growth companies both closed the first half with around a 6% gain.

- However, the chart shows how each segment of the market had a different journey, with the Value stocks leading Growth by as much as 10% until the announcement of the 90 day pause in tariffs on April 9.



2025 Mid-Year Market Review

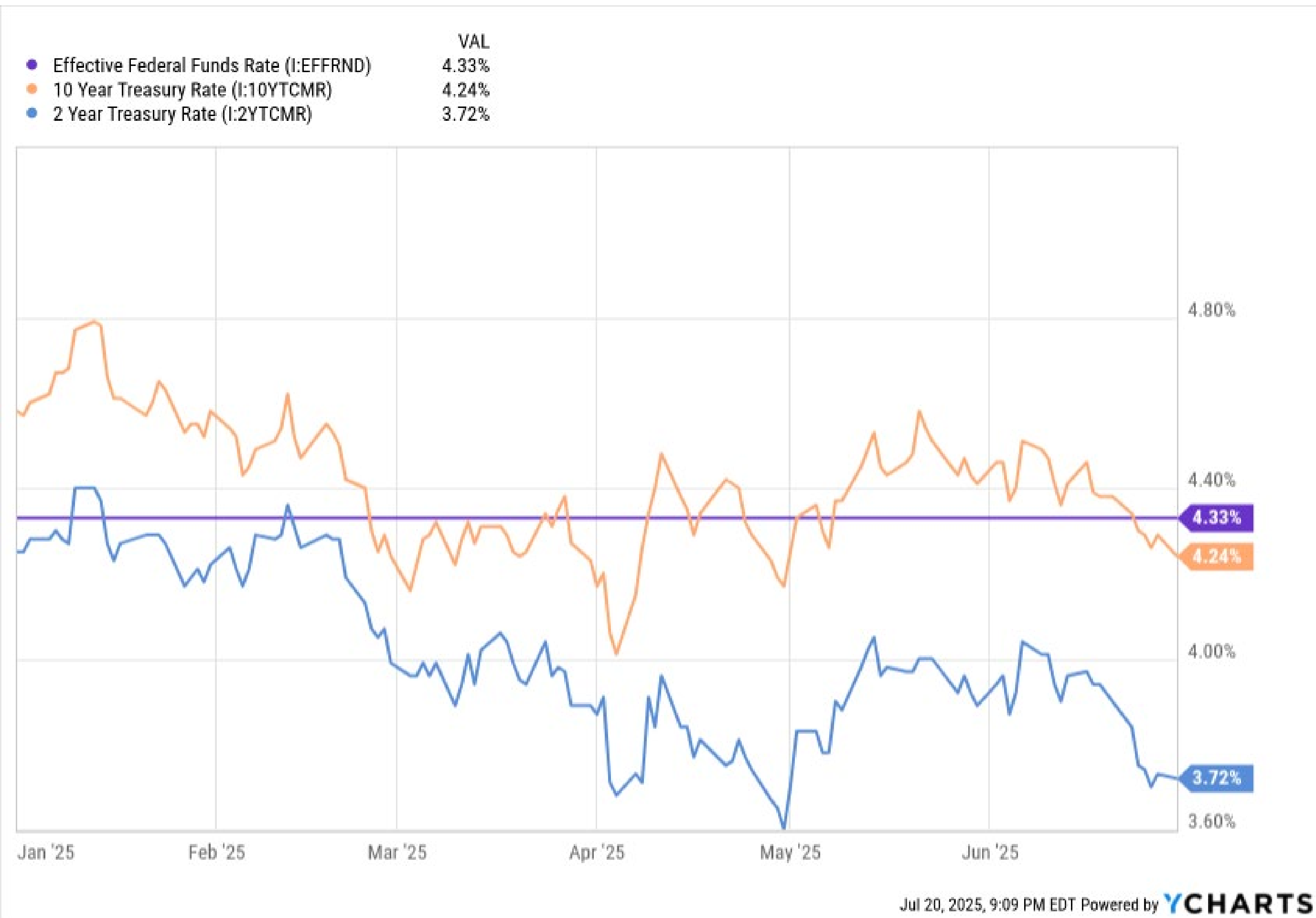
VeraBank Wealth Management Commentary

Despite Volatility, Interest Rates Drift Down in First Half of 2025

- The Fed Funds target rate has remained steady at 4.25-4.50% since the Federal Reserve last cut a quarter point in December 2024.

- The impact of tariffs on the cost of living and the potential of starting a global trade war are greatly impacting both market interest rates and the Federal Reserve's monetary policy decisions.

- The bond market is less concerned about the Fed, and more focused on inflation staying on its declining course (and certainly not increasing). Interest rates have generally declined throughout 2025, but have seen a few spikes during inflation concerns caused by potential tariffs.



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Quarterly Market Summary

Second Quarter 2025 Index Returns

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q2 2025	10.99%	12.05%	11.99%	2.74%	1.21%	1.93%
Since January 2001						
Average Quarterly Return	2.5%	1.7%	2.6%	2.2%	0.9%	1.0%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3	6.8% 2023 Q4	5.4% 2023 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4	-5.9% 2022 Q1	-4.1% 2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]).

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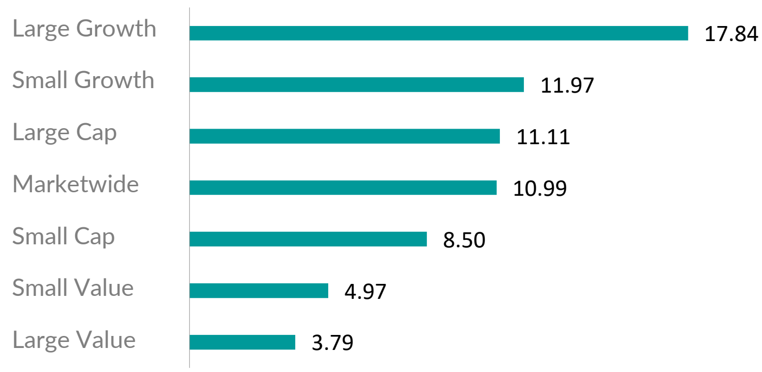
US Stocks

Second Quarter 2025 Index Returns

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value underperformed growth.
- Small caps underperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

			ANNUALIZED					
Asset Class	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Large Growth	17.84	6.09	17.22	25.76	18.15	17.01	17.54	12.99
Small Growth	11.97	-0.48	9.73	12.38	7.42	7.14	11.06	8.49
Large Cap	11.11	6.12	15.66	19.59	16.30	13.35	14.74	10.71
Marketwide	10.99	5.75	15.30	19.08	15.96	12.96	14.46	10.53
Small Cap	8.50	-1.79	7.68	10.00	10.04	7.12	10.35	7.76
Small Value	4.97	-3.16	5.54	7.45	12.47	6.72	9.35	6.80
Large Value	3.79	6.00	13.70	12.76	13.93	9.19	11.57	8.11

World Market Capitalization

63% US Market
$59.7 trillion

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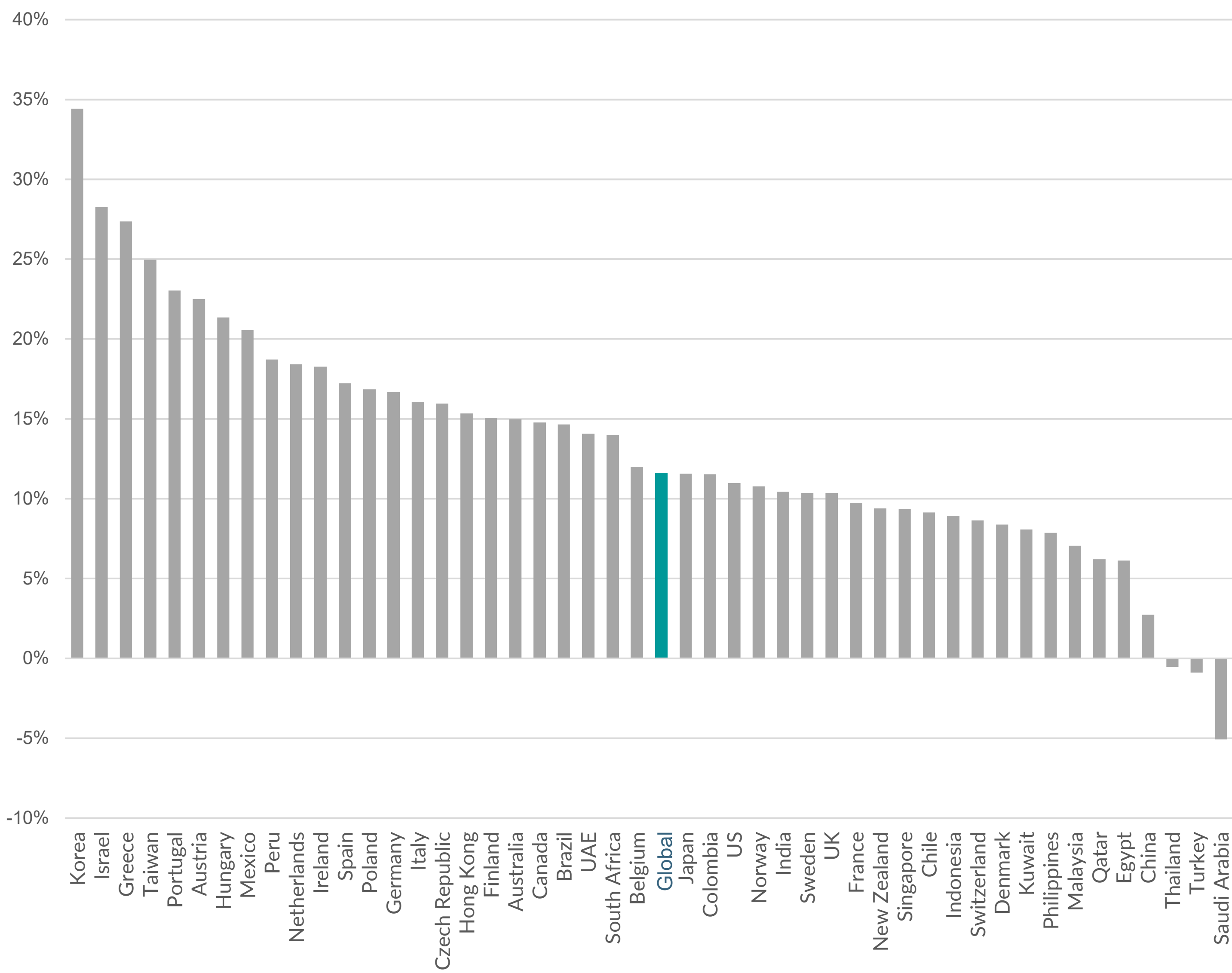
Country Returns

Second Quarter 2025 Index Returns



Past performance is no guarantee of future results. Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Fixed Income

Second Quarter 2025 Index Returns

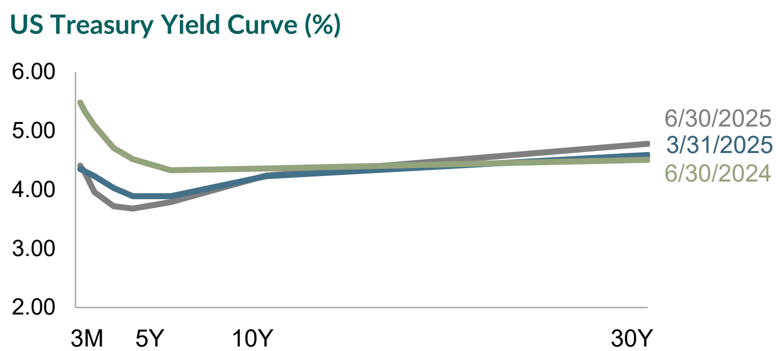
During the quarter, short- to intermediate-term interest rates decreased, and long-term interest rates increased within the US Treasury market.

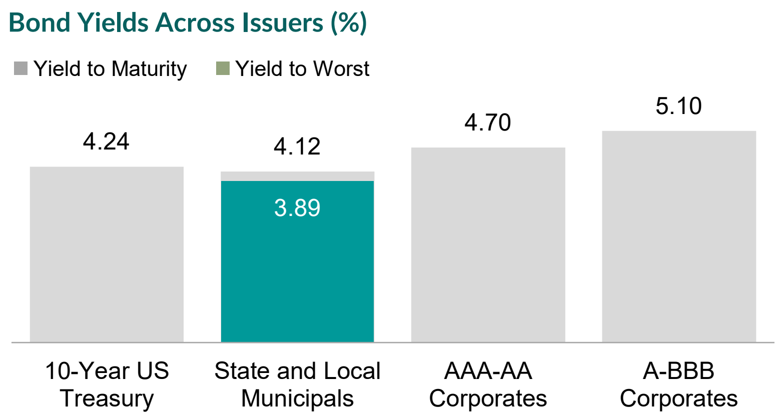
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 10 basis points (bps) to 4.28%, while the 1-Year US Treasury Bill yield decreased 7 bps to 3.96%. The yield on the 2-Year US Treasury Note decreased 17 bps to 3.72%.

The yield on the 5-Year US Treasury Note decreased 17 bps to 3.79%. The yield on the 10-Year US Treasury Note increased 1 bp to 4.24%. The yield on the 30-Year US Treasury Bond increased 19 bps to 4.78%.

In terms of total returns, short-term US treasury bonds returned +1.67% while intermediate-term US treasury bonds returned +1.46%. Short-term corporate bonds returned +1.80% and intermediate-term corporate bonds returned +2.12%.[1]

The total returns for short- and intermediate-term municipal bonds were +1.06% and +1.21%, respectively. Within the municipal fixed income market, general obligation bonds returned 0.00% while revenue bonds returned -0.20%.[2]





Periodic Returns (%)

Asset Class	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
			ANNUALIZED					
FTSE World Government Bond Index 1-5 Years	4.17	7.03	8.67	3.54	0.42	1.05	0.55	1.63
Bloomberg U.S. High Yield Corporate Bond Index	3.53	4.57	10.29	9.93	5.97	5.38	6.44	6.62
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.52	2.97	6.20	3.74	1.46	1.92	1.79	2.42
Bloomberg U.S. Aggregate Bond Index	1.21	4.02	6.08	2.55	-0.73	1.76	2.29	3.09
ICE BofA US 3-Month Treasury Bill Index	1.04	2.07	4.68	4.56	2.76	1.98	1.34	1.69
ICE BofA 1-Year US Treasury Note Index	0.90	1.96	4.76	3.90	2.07	1.81	1.32	1.86
Bloomberg U.S. TIPS Index	0.48	4.67	5.84	2.34	1.61	2.67	2.88	3.40
Bloomberg Municipal Bond Index	-0.12	-0.35	1.11	2.50	0.51	2.20	2.96	3.32
Bloomberg U.S. Government Bond Index Long	-1.51	3.08	1.58	-3.66	-8.16	0.15	2.14	3.09

1. Bloomberg US Treasury and US Corporate Bond Indices.
2. Bloomberg Municipal Bond Index.

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Market Perspectives

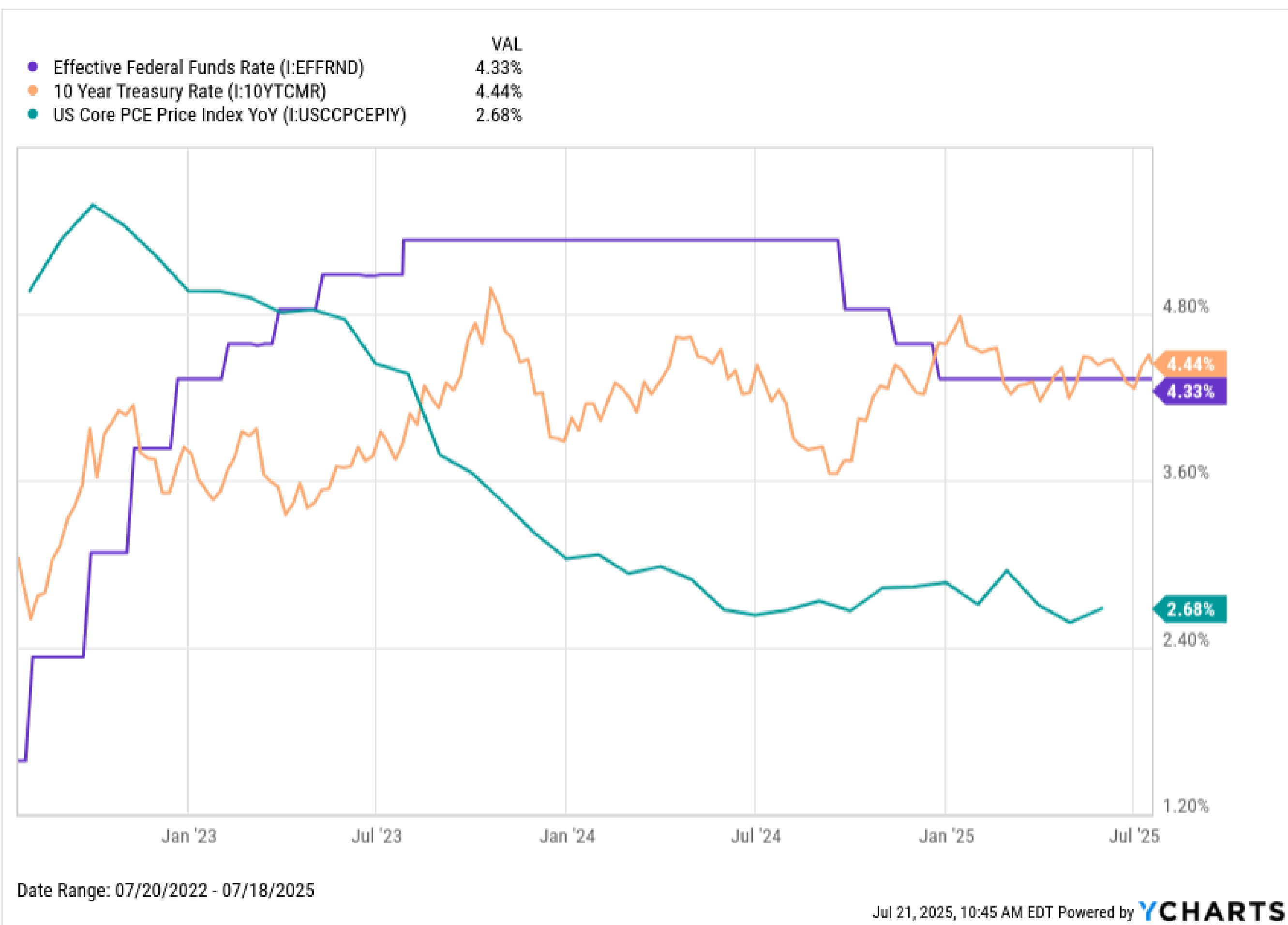
VeraBank Wealth Management Commentary

A Look at the Data

- Inflation continues to have a large impact on the Federal Reserve's monetary policy decisions, which continues to be a topic of debate in both financial and political circles. Core PCE (Personal Consumption Expenditures), which is the key metric used by the Fed to measure inflation, continues to stay above 2.5% and has seen an uptick over the last month.

- While there is a great amount of focus on the Fed's decision on the Fed Funds Rate, longer term rates such as the 10 Year Treasury Rate likely have a greater impact on debt costs to both the US government and individuals. The Federal Reserve sets the Fed Funds Rate, but these other rates are set by the free market.

- Investors concerned with interest rates should look beyond news headlines and politics and focus on rates set by the free market that factor in future inflation and economic growth expectations.



Market Perspectives

VeraBank Wealth Management Commentary

Why Diversification Matters as US Markets Enter an Uncertain Second Half of 2025

- Investors remain cautiously optimistic as the calendar turns into the 2nd half of 2025. The continued pause and decrease in tariff implementation has caused investors to discount the possible economic impact of potential tariffs.

- Economic indicators remain strong and earnings outlooks for 2025 and 2026 are still broadly positive, but risks related to trade friction and geopolitical instability cannot be ignored.

- In such an environment, portfolio diversification is especially important for investors. Diversifying across sectors, asset classes, and geographies can help manage portfolio risk when market sentiment shifts or specific industries encounter headwinds. Diversification allows investors to participate in market gains while helping cushion against losses from individual stocks or sectors facing unexpected challenges.

- A well-diversified portfolio is proven to reduce volatility and enhance the likelihood of achieving long-term investment goals. Amid valuation concerns, tariff and trade risks, and sector-level variations in performance, maintaining diversified exposure is the most effective way to capture opportunities while managing downside risks in the uncertain market landscape of late 2025.

Estate Planning at Every Life Stage: Why Waiting Can Cost You

When people hear the term estate planning, they often think it's something to consider much later in life—after retirement, after reaching a certain income, or after having children. But in reality, estate planning is about making sure your voice is heard, and your wishes are honored—no matter your age, assets, or stage in life.

It's often said that fewer than one-third of Americans have an estate plan—but that's not quite the full story. The truth is, everyone has an estate plan. If you haven't created one yourself, the state has created one for you—and it may not reflect your wishes. Unfortunately, many people only realize this after a health scare, major life event, or a family crisis.

Whether you're a young adult heading off to college, a busy parent raising kids, or a retiree reviewing your legacy, having a well-thought-out estate plan is essential. It's not just about money—it's about making sure your loved ones are protected, your decisions are honored, and your future is secure. Estate planning is one of the most meaningful steps you can take—and one of the easiest to put off. That's where a trusted advisor can help turn intention into action.

Here's how estate planning can (and should) look different depending on where you are in life. Let's break it down by life stage:

Young Adults (18–20s): "I'm too young to need an estate plan."

It's natural for young adults to feel like they're invincible. Most don't own homes or have families yet, so the idea of creating legal documents to prepare for the unexpected may seem unnecessary. But legally speaking, turning 18 changes everything. Once you reach adulthood, your parents no longer have the automatic authority to make many important financial or medical decisions for you—even in an emergency.

Without documents like a healthcare directive or power of attorney, your loved ones may need court approval just to access your medical information or handle your finances if something goes wrong. For students away at school or young professionals living on their own, these legal tools provide vital protection and peace of mind. Additionally, many young adults have valuable digital assets—from social media to online businesses—that could become inaccessible or unmanageable without the right legal instructions in place.

Key documents to consider:

- Healthcare Proxy
- Financial Power of Attorney
- HIPAA Authorization
- Digital asset instructions (social media, crypto, etc.)

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Estate Planning at Every Life Stage: Why Waiting Can Cost You

Mid-Career Adults (30s–50s): "My spouse and kids will get everything anyway."

This stage often brings mortgages, marriages, kids, and careers—along with a full calendar and a sense that there's still plenty of time to "get around to it." But the reality is that without a formal estate plan, your assets may not go where you think. State laws, known as intestacy statutes, will determine who inherits what. And in blended families or second marriages, those rules may not reflect your wishes at all.

This is also the stage where naming a guardian for your children becomes essential. If something were to happen to both parents, the court—not your family—would decide who steps in. A thoughtfully prepared estate plan ensures your children are raised by someone you trust, and that your assets are protected for their future. Planning now also helps your loved ones avoid the delays, costs, and stress that can come with probate.

It's common to assume things will go smoothly if something happens—but state laws don't always follow your wishes, especially in blended families or if you haven't named guardians for your children.

Why planning matters now:

- Default rules vary by state and may not reflect your intent.
- Blended families and second marriages require special care.
- Naming a guardian avoids court battles over your children.
- Trusts can avoid costly and stressful probate delays.

Retirees & High-Net-Worth Individuals (50s+): "I already have an estate plan."

You may have a plan—but is it up to date?

By retirement, many people have completed basic estate documents—but they're often outdated. A plan created 15 or 20 years ago may no longer reflect your current family, financial situation, or today's tax laws. For instance, older plans designed around now-obsolete estate tax thresholds might unintentionally trigger tax consequences or limit flexibility for heirs.

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Estate Planning at Every Life Stage: Why Waiting Can Cost You

Additionally, many older plans don't address digital assets, long-term care needs, or business succession planning. As wealth grows, so does complexity—and the importance of protecting assets from unnecessary taxes, legal disputes, or long-term care costs. Regular reviews and updates ensure your plan still does what you intended, when it matters most.

Why updating matters:

- Estate tax laws change over time.
- Business succession and asset protection strategies should be in place.
- Many older plans don't cover digital assets or modern family structures.

The Bottom Line

No matter where you are in life, estate planning isn't about how much you have—it's about protecting what matters most. And while many people agree it's important, it often gets pushed to the back burner until a major life event or health scare forces action.

That's where we come in.

As your trusted wealth advisor, we're here to help you move from "I know I should" to "I'm glad I did." We'll walk you through what estate planning looks like for your life stage and connect you with the right tools and professionals to make it happen.

Estate planning isn't just for the wealthy—it's for anyone who cares about their loved ones.

Let's make sure your plan reflects your wishes and goals.

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