

Investments Group

July 23, 2025 at 1:30PM

Ron Reedy and Mike Flannery Co-chairs

Zoom Meeting Only This Month

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Agenda

- ❖ Markets review
- ❖ Investment competition scorecard
- ❖ Review of recent interesting investments articles

Market Update – U.S. Equities

<u>Index/Market/Stock</u>	<u>YTD</u> <u>6/30/25</u>	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total US Stock Market	5.7%	15.1%	23.8%	26.0%	-19.5%	25.7%
S&P 500	6.2%	15.2%	25.0%	26.3%	-18.2%	28.7%
S&P 500 Equal Weight	4.8%	12.7%	13.0%	13.8%	-11.5%	29.6%
NASDAQ 100	8.4%	16.1%	25.9%	54.4%	-32.4%	26.9%
Russell 2000	-1.8%	7.7%	11.5%	15.1%	-21.5%	13.6%
S&P 500 Value Index	3.3%	9.6%	11.5%	22.2%	-5.2%	24.9%
S&P 500 Growth Index	8.9%	19.9%	35.8%	30.0%	-29.4%	32.0%

Note: returns/data from outside sources presumed to be reliable

Market Update – International Equities

Index/Market/Stock	<u>YTD</u> 6/30/25	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total International Stock Mkt (MSCI ACWI ex-USA)	17.5%	17.9%	5.5%	15.6%	-16.0%	7.8%
China (CSI 300)	3.2%	18.8%	14.5%	-12.3%	-25.7%	-3.3%
India (Nifty 50)	7.5%	4.6%	13.5%	17.4%	1.9%	22.4%
Europe (STOXX 600)	5.9%	5.9%	8.8%	11.3%	-11.8%	22.3%
Japan (NIKKEI 225)	2.6%	4.3%	21.3%	28.0%	-9.4%	22.6%
Dollar Index	97.0		108.9	102.4	103.5	96.0

Note: returns/data from outside sources presumed to be reliable

Market Update – Topical/Commodities

Index/Market/Stock	<u>YTD</u> 6/30/25	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Magnificent Seven (equal weighted)	1.9%	23.0%	64.0%	111.0%	-45.0%	
Nvidia	14.0%	27.0%	171.2%	239.0%	-50.0%	125.0%
Bitcoin	10.8%	68.2%	124.8%	164.3%	-64.9%	63.3%
Gold (COMEX)	25.3%	43.9%	26.0%	13.3%	0.6%	
PCE (at end of period)	2.3%		2.8%	4.9%	5.3%	
Oil (WTI)	-9.2%	-21.7%	-3.0%	0.0%	0.0%	53.0%
Natural Gas (NYMEX near-month futures)	-4.9%	28.5%	19%	-60%	22%	90%

Note: returns/data from outside sources presumed to be reliable

Market Update - Fixed Income

Index/Market/Stock	<u>YTD</u> 6/30/25	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
US T Bond 10-year return	3.6%	5.2%	1.2%	3.9%	-17.8%	
Bond Agg Index return	4.0%	6.1%	1.2%	5.7%	-13.0%	-1.8%
Intermediate Term Tax-Exempt (Bloomberg Muni 1-15)	0.5%	2.1%	0.9%			
Cash (Vanguard Fed MMkt Fund)	2.1%	4.7%	5.2%	5.1%	1.6%	0.0%
10 yr T yield (at end of period)	4.2%		4.6%	3.9%	3.9%	1.5%
2 yr T yield (at end of period)	3.7%		4.3%	4.2%	4.4%	0.73%
Fed Funds (at end of period)	4.3%		4.3%	5.3%	4.3%	0.07%

Note: returns/data from outside sources presumed to be reliable

Friendly Investments Competition

- How would each of you allocate a total of \$100,000 to these options to maximize overall return for 2025:
 - Cash (Vanguard Federal Money Market Fund)
 - Bonds (Bloomberg Float Adj Agg Index)
 - International Stocks (MSCI ACWI ex-US)
 - U.S. Stocks (S&P 500). Can also divide between S&P 500 Growth and S&P 500 Value and S&P 500 Equal Weight
- Rules:
 - \$ investment by asset class submitted by 1/31
 - Return period: full year 2025
 - Will announce who is leading competition at each quarterly meeting
 - Full year winner will be announced at January 2026 meeting
- Note: Average returns by asset class (approx.):
 - Last 20 years: Cash: 1.5%, Bonds: 3%, International Stocks: 5%, U.S. Stocks: 10%
 - Last 10 years: Growth Stocks: 17%, Value Stocks 11%

Friendly Investments Competition Scorecard

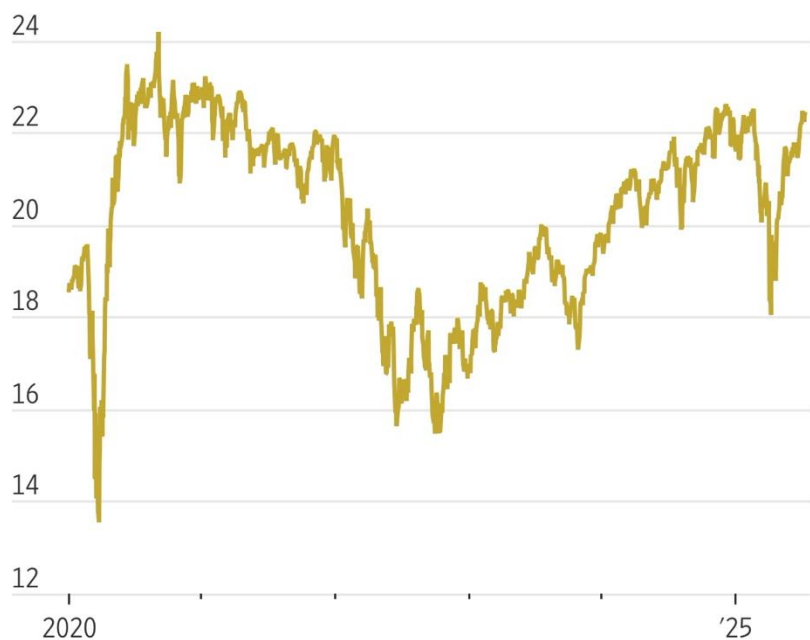
	<u>Cash</u>	<u>Bond Agg</u>	<u>Intl</u>	<u>S&P 500</u>	<u>SP Gr</u>	<u>SP Val</u>	<u>SP EW</u>	<u>Total</u>	<u>Value end 2Q</u>
Number of Players								22	
Top Allocation to Each Option	100	100	40	100	100	100	30		
Average Allocation to Options	7.5	12.7	5.7	12.7	37.5	19.1	4.8	100	
YTD Returns by Investment Option	2.1%	4.0%	17.5%	6.2%	8.9%	3.3%	4.8%	6.7%	106.6
# players that made YTD								22	
Leading player: Jim Albes									110.8

Interesting Articles – Valuations

Earnings to Test Stock Records. WSJ 7/14/25.

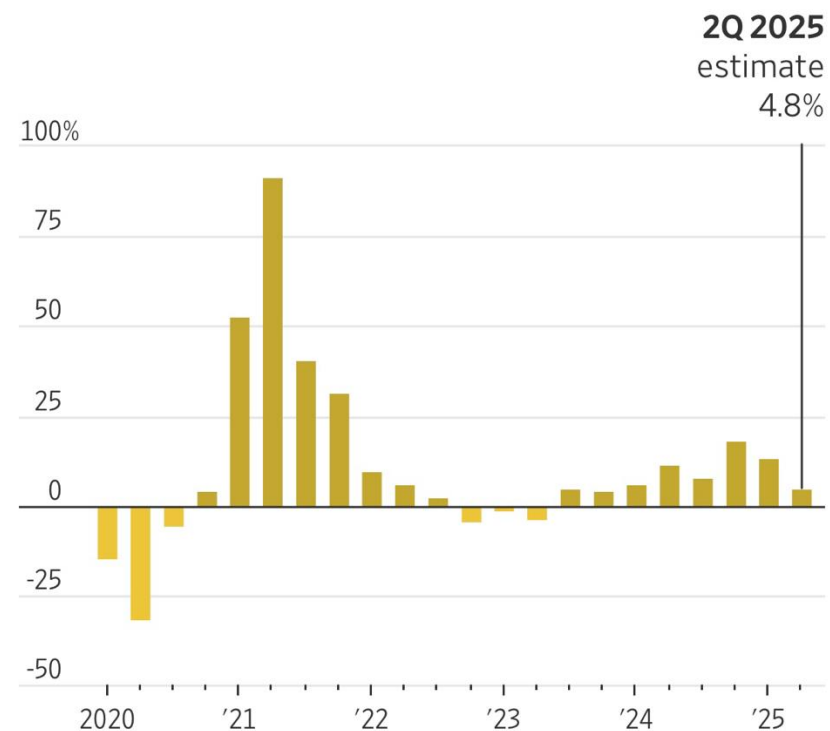
S&P 500 price/earnings, next 12 months

26 times



Source: FactSet

S&P 500 quarterly earnings, change from a year earlier



Source: FactSet

Interesting Articles – Markets

Surprise! The Market's Worst-kept Secret. WSJ 7/16/25.

- The S&P's 500's "surprise ratio", which is the share of the benchmark's companies reporting earnings per share above analysts' expectation each quarter, has consistently been around 75%.
- Because analysts start their forecasts too high and then typically trim them by pennies per share at a time, earnings growth sound good enough to support the valuation of the market as a whole. Though by the time earnings are actually reported, estimates have been lowered enough that results in regular "beats".
- Last July, analysts' consensus was for S&P 500 EPS to grow by 14.3% this quarter. By the end of last year, it was 11.7%. Today it is just 4.8%. Don't be surprised if earning growth this quarter turns out to be over 10%.

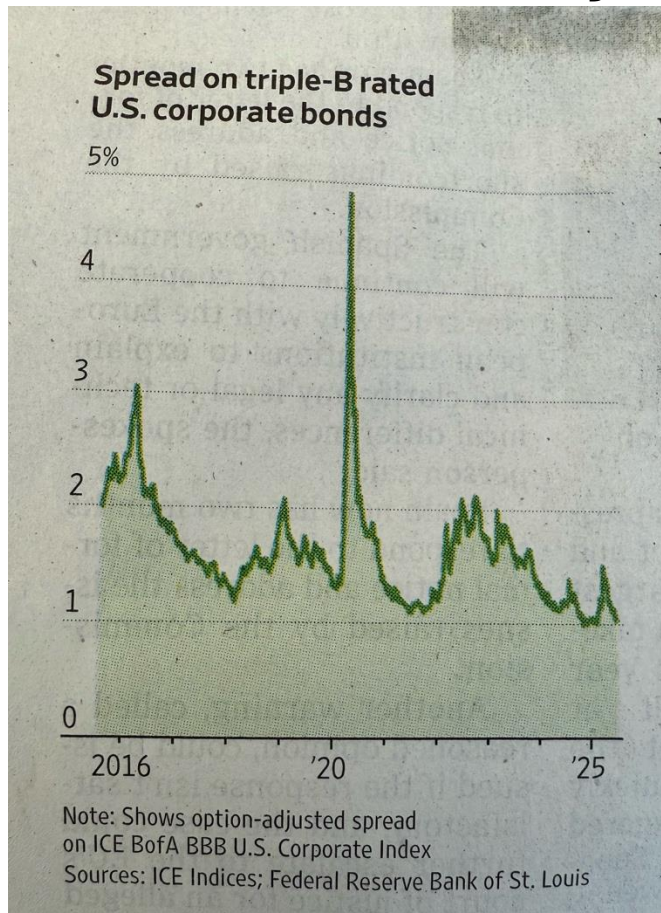
Interesting Articles – Markets

The Dangers of a Market Melt-Up. NYT 7/11/25.

- Despite historically bad financial news – tariffs, geopolitical tensions, general market crash talk, the stock markets have shrugged off early year losses and are now at new highs.
- Is the market over-priced – perhaps increasingly pricey, but no where near the dot-com levels of the early 2000's.
- Yet, many money losing ventures are capturing investors' imaginations again (see Avea Technologies). Even Nvidia which has a 50 P/E ratio (was 250x in 2023) still requires years of significant profit growth to justify its multiple.
- One reason to think about a Melt-Up is that due to the previously mentioned headwinds, many analysts have reduced profit expectations – so positive surprises (which CFO's love) may result in a Melt-Up and continued value creation for investors.
- Ed Yardeni (President of Yardeni Research) believes we are in the midst of an actual Melt-Up – citing new all-time highs of many indices. He points out the complete reversal of the early in the year 20% correction and belief by some investors of the “AI” miracle.
- Yardeni's model is currently 60% bullish / 25% bearish / 15% Melt-Up

Interesting Articles – Markets

What Bond Yields Say: We've Hit the Credit Limit. WSJ 7/20/25.



BBB spread over Treasuries is near an all-time low of 1.01%.

Spread briefly hit 1.5% on Liberation Day.

COVID spread peak: 4.9%.

Financial crisis spread peak: 8%.

Interesting Articles – Investment Ideas

How Much of Your Portfolio Should Be in International Stocks. WSJ 7/4/25.

- Between 2010-2024, US Stocks returned about 13.5% annually, compared to 4.8% for international stocks.
 - But for the first six months of 2025, international stocks returned 18.2% vs 5.6% for US issues.
- PE multiples are much higher in US (23) vs international (14).
- How much to allocate to non-US stocks?
 - Non-US stocks equal 35% of worldwide stocks
 - Recent recommendations: Citi: 35%. Fidelity: 45%. Putnam: 20%. Yardeni: 0%.
- Largest international index funds: Vanguard Total World Stock Index (VTWAX) and BlackRock's iShares MSCI ACWI ETF (ACWI), both of which include US stocks.
- Largest active international funds: AEPGX, NEWFX, DODFX, GSIMX.

Interesting Articles – Investment Strategy

There's a Good Chance Crypto is Spreading to Your Retirement Account. NYT 6/13/25.

- Political Support of cryptocurrencies is growing (\$TRUMP)
- It may already be in your portfolio thru Strategy (formerly MicroStrategy); Coinbase; Tesla – owns \$1B of it on its Balance Sheet)
- Since Jan 1, ETF's can own Bitcoin directly – as of April 30th , 91 funds do. The largest of these ETF's is iShares Bitcoin Trust (had 3rd largest inflows of any fund in Q1)
- Many “experts” are beginning to advocate a small allocation as it may be considered a diversifying asset class. Traditional financial institutions are investing in technology to work with it (i.e., JP Morgan Chase, BNY).

Interesting Articles – Investment Ideas

Index-fund Investing is Now an Extreme Sport. WSJ 7/12/25.

- Exchange traded funds are becoming far more concentrated, amplifying risks
- **De**versification rather than diversification. Extreme deversification is speculation.
- In 1998, 85% of stock-index funds were weighted by capitalization. By end of 2024, only 40% were cap weighted. Average number of holdings also shrunk, from 503 in 1998 to 123 today.
- Between 1985 and 2024, the average stock suffered a max interim decline of 81% and more than half never regained their previous highs.
- Many new ETFs are also leveraged.

Interesting Articles – Investment Ideas

Muni Bonds Are Still Cheap. Here are the Ways to Buy In. Barrons 6/16/25.

- Expanded Muni issuance has been overwhelming demand. This has led to disappointing returns for this asset class.
- More people are comfortable owning individual muni bonds rather than funds because of unexpected capital gains or losses and better control over duration and credit quality. Minimum investment for a separately managed muni ladder account is typically \$100,000+.
- Need to compare after-tax returns of Munis vs Corporates and Treasuries.

Interesting Articles – Investment Ideas

These are the Hottest Bond ETFs This Year. Barrons 6/16/25.

- Treasury-bill ETFs are challenging money-market funds and bank deposits as a place for retail investors to park cash.
- T-bill ETFs are rapidly growing but at just over \$100B are dwarfed by the \$7T in money-market funds.
- Two largest T-bill ETFs: iShares 0-3 month Treasury Bond ETF (\$48B) and the \$44B SPDR Bloomberg 1-3 Month T-Bill ETF. New inexpensive fund: Vanguard Ultra-Short Treasury ETF. Yields are in the range of 4.2-4.3%. Fees range from 7-14bps. Some large Government money market funds charge 34-42bps.
- Investors can also buy T-bills directly at Treasury.gov website. Further, investors can participate in T-bills and other T-bonds auctions through banks and brokers.
- Interest income on Treasuries is exempt for state and local taxes. Income from many Government money market funds are not.

Interesting Articles – Investment Ideas

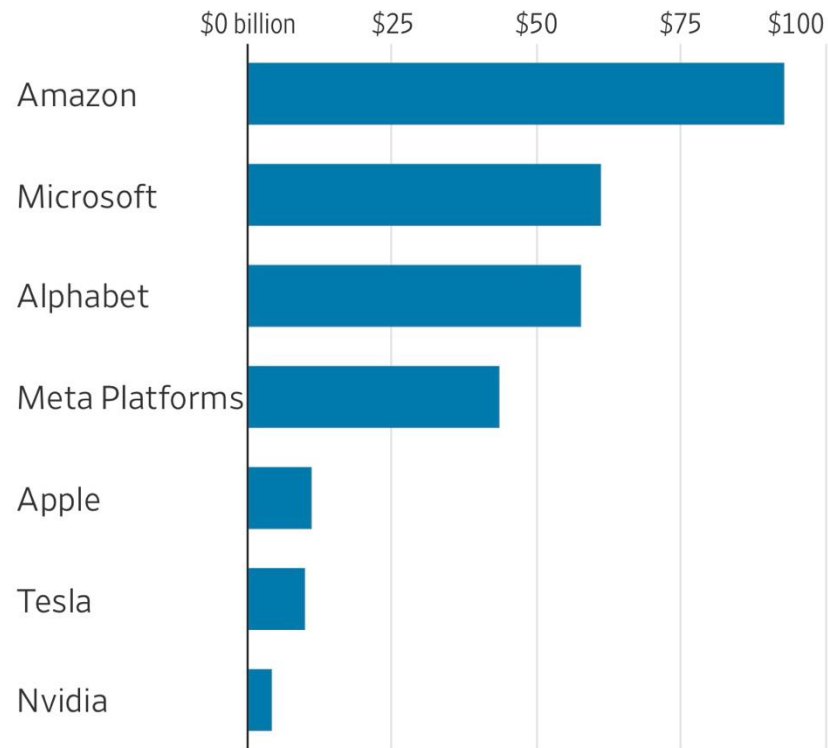
The Right Way to Build a Precious Metals Portfolio. Barrons 7/14/25.

- Investors should limit their total allocation to these volatile metals to 10% or less.
- Start with a core holding of about 50% gold, as biggest and most liquid market.
- Consider 15% in silver and 5% each to platinum and palladium.
- The rest in gold-mining ETFs, such as VanEck Gold Miners (GDX).
- Funds to consider: SPDR Gold Shares (GLD) up 27% YTD, iShares Silver Trust (SLV) up 27% YTD, Abrdn Physical Platinum Shares ETF (PPLT) up 51% YTD, Abrdn Physical Palladium Shares ETF (PALL) up 22% YTD.
- Consider buying on dips

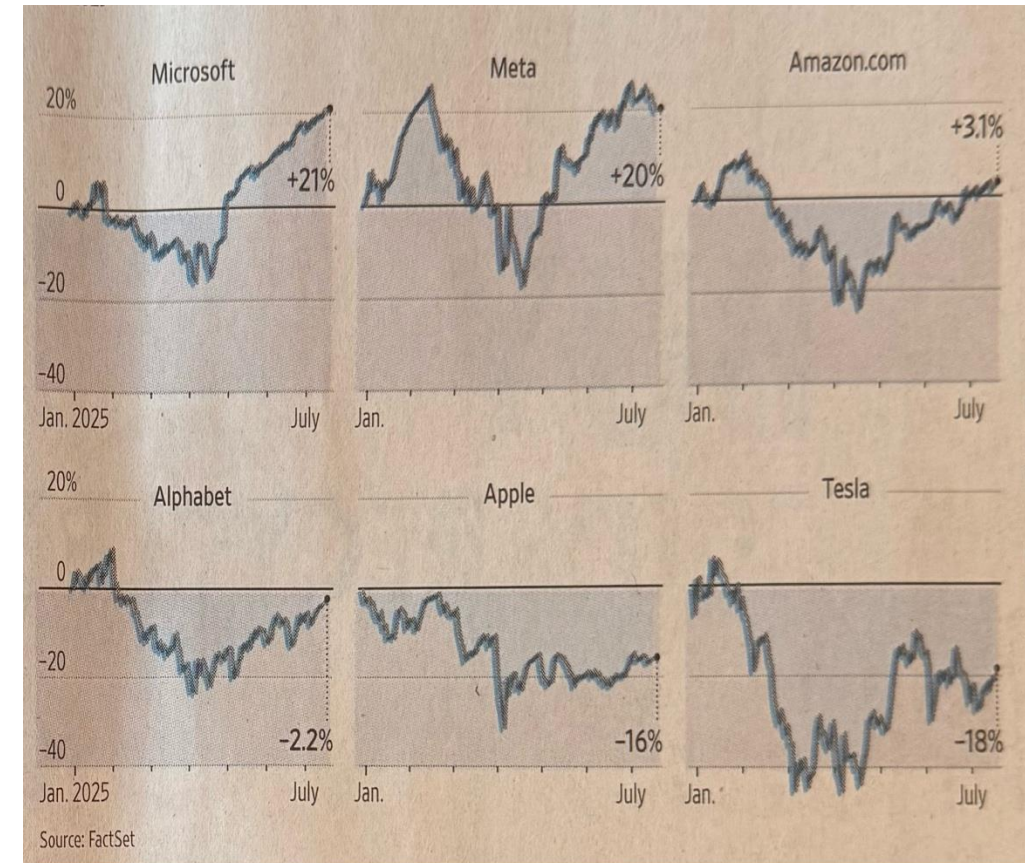
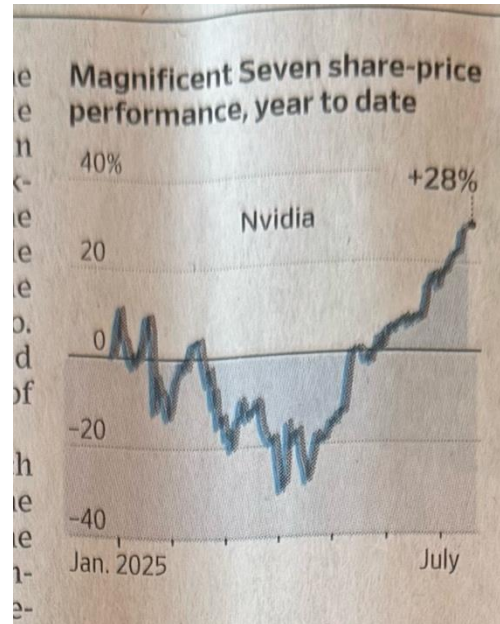
Interesting Articles – Investment Ideas

AI is Dividing the Fortunes of the Mag-7. WSJ 7/20/25.

Total capital spending, past four quarters



Source: FactSet



Interesting Articles – Markets

Private Credit Risks are Murky. A Dash of Sunlight is Necessary. Barrons, 5/5/25.

- Tightening bank regulations after 2008/09 led to risky lending migrating to more lightly-regulated non-bank institutions.
- Private credit funds specialize in lending to highly levered middle-market companies. In 2024, Funds had \$1.7T of these assets while banks had \$1.4T in similar loans.
- Funds rely on a combination of equity and long-term lock-ups of their investors to align with the multi-year duration of their illiquid assets.
- Higher for longer interest rates are impacting defaults; covenants are weakening; and valuations are opaque. There is little regulatory oversight and management fees are based on asset values (previously noted as opaque).
- Bair suggests that institutional interest in the asset class may be waning – thus the recent push for more retail participation. As there has been no real recession since 2008/09; her only comparison is to lightly regulated mortgage banking products of that era – it did not end well.

Q&A/General Discussion

Open forum

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