

Capital Market Review / 2nd Quarter 2025

The Big Picture

In Defense of Freedom

Freedom is under attack from seemingly all directions today. Voters in New York just selected a socialist in the democratic primary. Vice president JD Vance recently admonished conservatives who he claims, “worship the capital M market.” Milton Friedman famously observed that, “Underlying most arguments against the free market is a lack of belief in freedom itself.”



This still holds true, but today there is another element from those who lack understanding of what the term “free market” means.

Today we hear the line that “the free-market economy is not working for everyday people.” We hear this from both the left and the right. However, every single example they give is, without fail, a place where regulation has replaced the free market. The greatest pain points (housing, higher education, and healthcare) are all areas where we long ago abandoned a free market approach.

Freedom isn't free, and we too often forget how rare it is in human history. We need to do a better job of educating. The emphasis in free market is on free.

“Give me liberty or give me death!”
— Patrick Henry

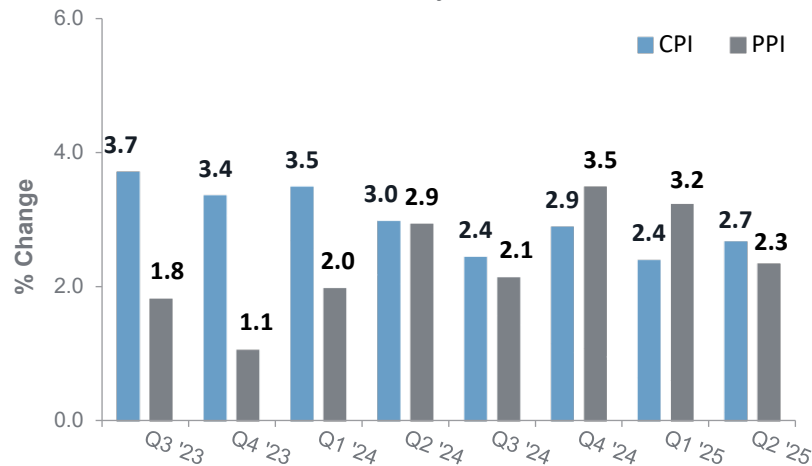
The Economy

The 1st quarter 2025 GDP growth came in down 0.5 percent, thanks to a surge in imports. GDPNow shows the economy growing by 2.6 percent in the 2nd quarter, but this is due to a drop in imports. The accurate measure is probably in the middle, which means the economy has slowed.

The official unemployment rate was 4.1 percent through June. The labor market remains steady. We have been in the 4 percent range for a while now. This will be a key indicator of any potential recession and we will be watching it closely.

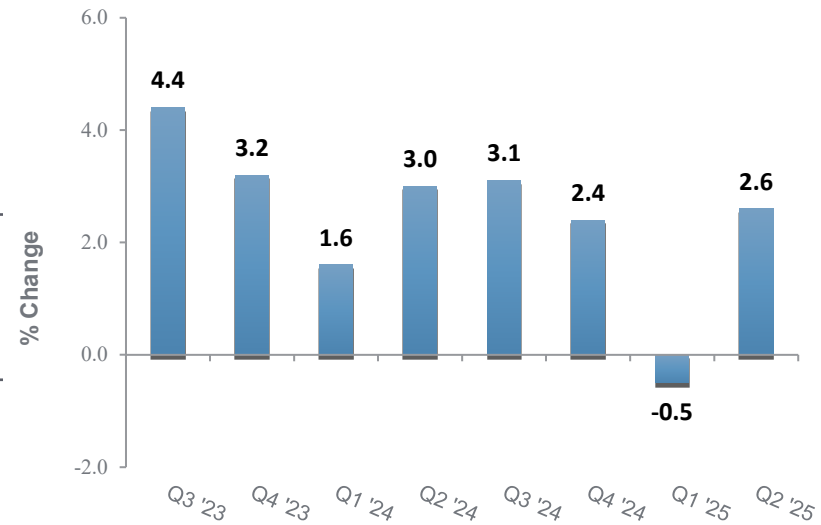
Inflation is 2.7 percent based on the latest consumer price index report. This is slightly above the last quarter's reading. The producer price index, which tracks wholesale prices, is up 2.3 percent over the last 12 months, below last quarter and below retail levels.

Inflation Indicator
12 month unadjusted



Source: Factset

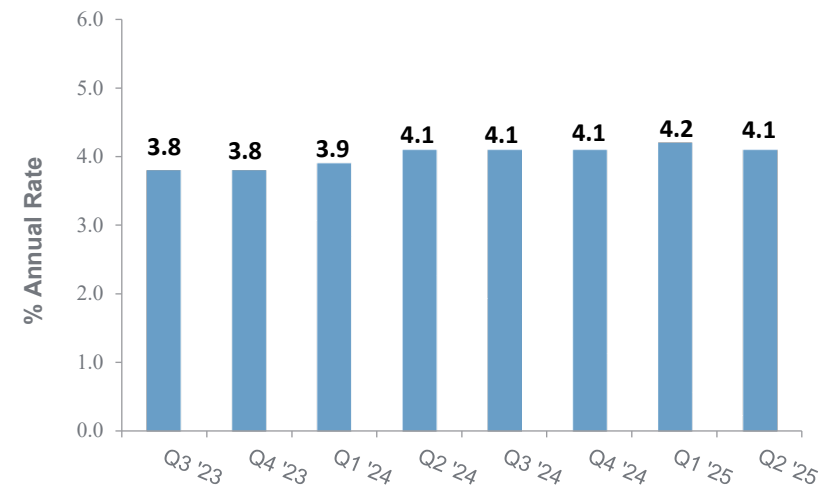
Domestic GDP



Source: Factset

Source: Factset

Unemployment Rate



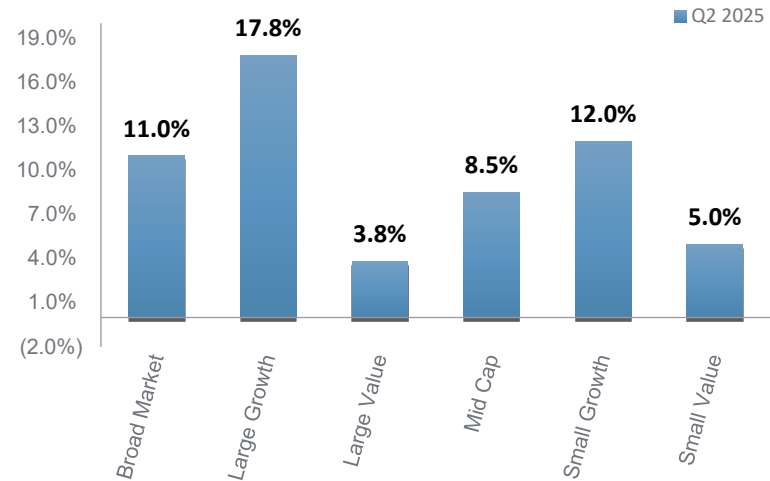
Source: Factset

Domestic Equity Markets

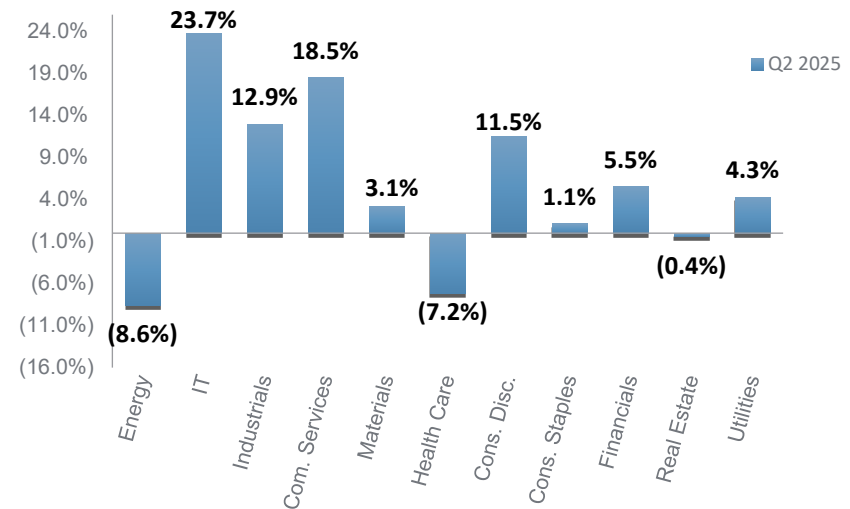
The market rebounded in the 2nd quarter. For the quarter, the S&P 500 finished up 10.94 percent, while small company stocks represented by the Russell 2000 index were up 8.5 percent. Growth outperformed, with the Russell 1000 Growth index up 17.84 percent while the value index was up 3.79 percent. For small companies the value index was up 4.97 percent, and the growth index was up 11.97 percent.

Technology was the best place to be, followed by communication services. Energy and healthcare were both significantly negative. The yo-yo back and forth between value and growth continues.

Domestic Equity Market Returns



S&P GICS Sector Returns

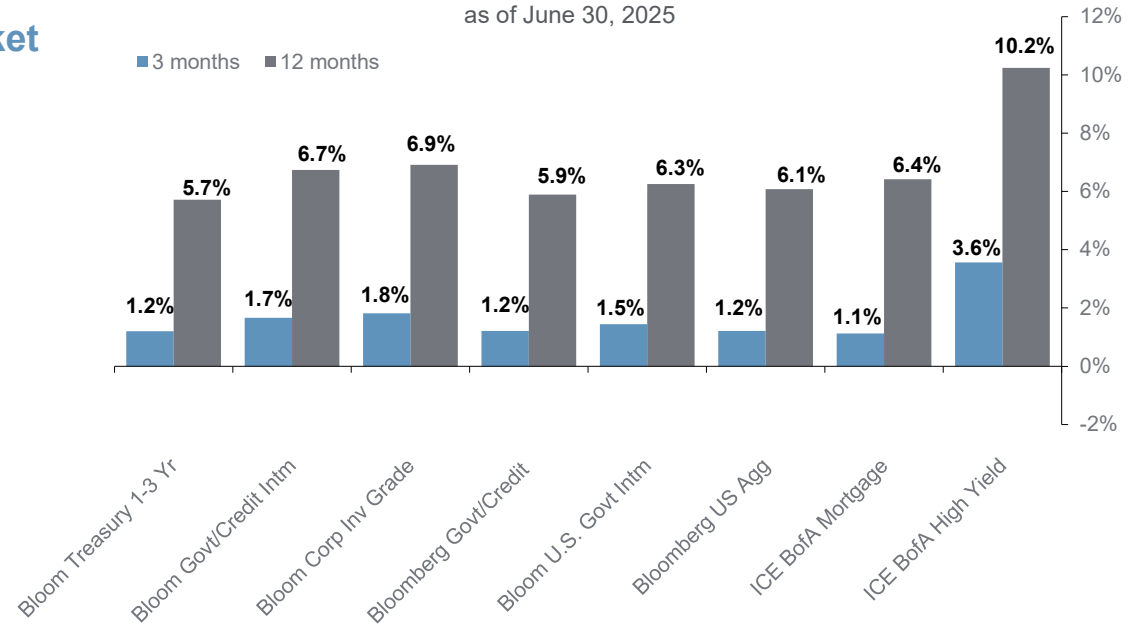


Domestic Fixed Income Market

Bonds were up slightly. The Bloomberg U.S. Aggregate Bond index ended up 1.21 percent. High yield bonds rose 3.57 percent. Bond yields fluctuated but ended the quarter right where they began.

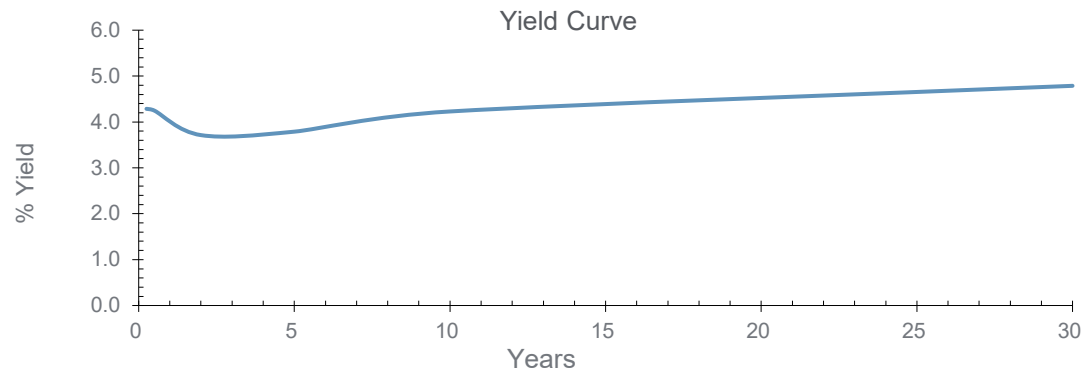
The ten-year Treasury ended the quarter with a 4.23 percent yield. The yield curve remains negative at the short end but continues to steepened from the 2 year to the thirty.

U.S. Fixed Income Market Performance
as of June 30, 2025



Yield Curve as of June 30, 2025

Time to Maturity	Interest Rate
3 Month	4.29
6 Month	4.25
2 Year	3.71
5 Year	3.79
10 Year	4.23
30 Year	4.79

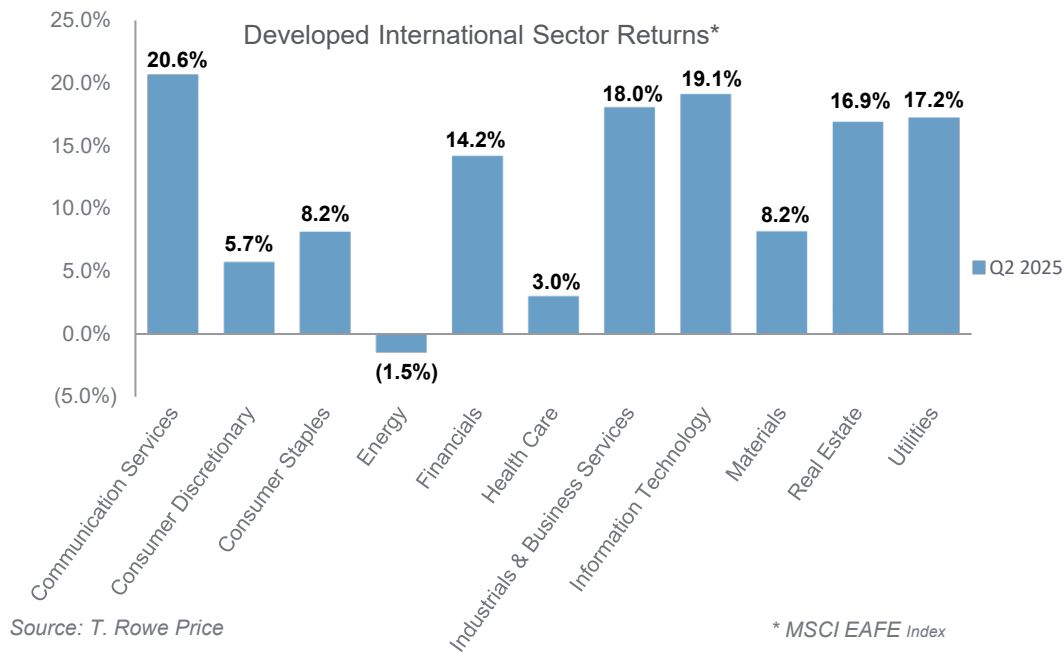


International Markets

International stocks outperformed once more. The EAFE index finished up 12.07 percent and the MSCI Emerging Markets index ended the quarter up 12.20 percent.

Once again, the dollar was the story. European stocks were up 3.37 percent in local terms, but when factoring in the drop of the dollar they were up 11.8 percent for the American investor.

While some smaller markets were up even more, India outpaced China in the battle over the dominant emerging market. India's market was up 9.73 percent vs. 2.09 percent for China's. The bounce China had last quarter was short lived.



MSCI Country Returns Three Months Ending June 30, 2025

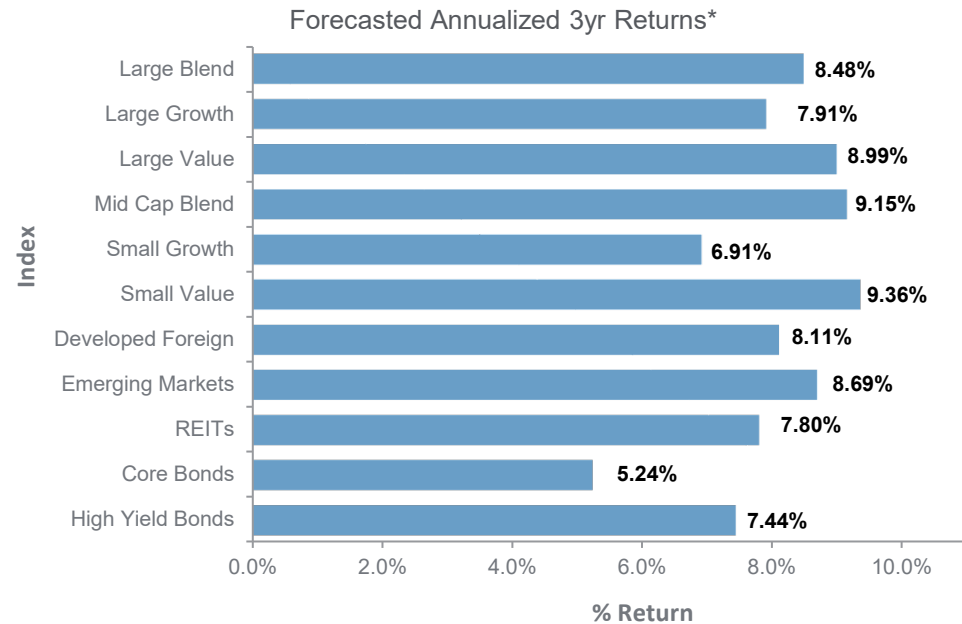
	Return US\$ (%)	Return Local Currency (%)	Currency Effect (%)
Austria	23.75%	13.88%	9.87%
Belgium	10.88%	2.03%	8.85%
Denmark	7.50%	-1.08%	8.57%
Finland	15.78%	6.55%	9.24%
France	9.92%	1.15%	8.77%
Germany	16.88%	7.56%	9.33%
Ireland	16.93%	7.60%	9.33%
Italy	16.11%	6.85%	9.26%
Netherlands	18.44%	9.45%	9.00%
Norway	9.96%	5.62%	4.34%
Portugal	24.91%	14.95%	9.97%
Spain	17.21%	7.86%	9.35%
Sweden	10.92%	6.07%	4.85%
Switzerland	8.11%	-2.74%	10.84%
UK	8.72%	2.40%	6.32%
Europe Total	11.80%	3.37%	8.44%
Australia	15.80%	16.78%	-0.98%
Hong Kong	11.39%	7.60%	3.80%
Japan	10.00%	2.62%	7.38%
New Zealand	11.39%	7.60%	3.80%
Singapore	9.91%	5.36%	4.55%
Pacific Total	12.33%	8.37%	3.96%
Brazil	13.42%	8.79%	4.63%
Canada	14.40%	8.45%	5.94%
China	2.09%	2.64%	-0.55%
Greece	29.74%	19.39%	10.35%
Hungary	20.96%	10.38%	10.58%
India	9.73%	10.10%	-0.37%
Indonesia	8.83%	6.69%	2.14%
Korea	32.80%	21.72%	11.09%
Mexico	20.79%	11.54%	9.25%
Poland	16.22%	8.30%	7.92%
Thailand	0.54%	-3.66%	4.20%
Emerging Markets	12.20%	8.13%	4.06%

Market Forecast

The tariff situation has seemingly calmed down, although it could rear its head again. This has led to some stabilization. The market was up nicely, but it basically has gotten back to the highs of last year. We have made no new ground, so we remain optimistic going forward.

Ultimately stocks will be driven by fundamentals regardless of government policy. Growth in earnings has been solid, and we suspect will continue to beat expectations. International will likely continue to do relatively well as a weak dollar will assist U.S. investors in foreign markets. Small companies remain a better value, but they have struggled to maintain any positive momentum.

Bonds have done their job and stabilized in this range just above 4 percent. The Fed is likely to lower rates in the second half; we suspect that will simply steepen the yield curve with short-term rates falling, but the longer-term rates remaining in their range.



Changes in Return Expectations as of June 30, 2025

Asset Class	Change Over Quarter	Change Over Year
Large Blend	-0.22%	-0.44%
Large Growth	-0.32%	-0.43%
Large Value	-0.15%	-0.68%
Mid Cap Blend	-0.15%	-0.40%
Small Growth	0.00%	-0.44%
Small Value	-0.12%	-0.42%
Developed Foreign	-0.19%	-0.45%
Emerging Markets	-0.26%	-0.34%
REITs	0.00%	-0.34%
Core Bonds	-0.03%	-0.53%
High Yield Bonds	-0.21%	-0.61%

*Forecasted 3-year annualized returns represent Iron Capital's investment return expectations for various asset classes over the next 3 years. They are calculated using a weighted average of historic returns and forward return assumptions. They are meant to be a tool to judge relative attractiveness of asset classes and not a guarantee of future investment returns.

SELECTED INDEX RETURNS - PERIODS ENDING June 30, 2025

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
US EQUITIES						
Broad Stock Market - Russell 3000	10.99%	5.75%	15.30%	19.08%	15.96%	12.96%
Large Stocks - S&P 500	10.94%	6.20%	15.16%	19.71%	16.64%	13.65%
Dow Jones Industrial Average	5.46%	4.55%	14.72%	14.99%	13.52%	12.06%
Medium-Size Stocks - Russell Mid-Cap	8.53%	4.84%	15.21%	14.33%	13.11%	9.89%
Small Stocks - Russell 2000	8.50%	-1.79%	7.68%	10.00%	10.04%	7.12%
Small Value Stocks- Russell 2000 Value	4.97%	-3.16%	5.54%	7.45%	12.47%	6.72%
Small Growth Stocks- Russell 2000 Growth	11.97%	-0.48%	9.73%	12.38%	7.42%	7.14%
Large Value Stocks - Russell 1000 Value	3.79%	6.00%	13.70%	12.76%	13.93%	9.19%
Large Growth Stocks - Russell 1000 Growth	17.84%	6.09%	17.22%	25.76%	18.15%	17.01%
US FIXED INCOME						
1-3 Yr Treasury (Gov't) Bonds - Bloomberg	1.20%	2.84%	5.72%	3.43%	1.33%	1.59%
US Government Bonds Int - Bloomberg	1.45%	3.97%	6.26%	2.85%	0.15%	1.55%
US Corporate Inv Grade Bonds - Bloomberg	1.82%	4.17%	6.91%	4.34%	0.14%	2.94%
Government/Credit (Corp) Bonds - Bloomberg	1.22%	3.95%	5.89%	2.61%	-0.83%	1.92%
Int Govt/Credit (Corp) Bond - Bloomberg	1.67%	4.13%	6.74%	3.57%	0.64%	2.04%
US Aggregate Bond Market - Bloomberg	1.21%	4.02%	6.08%	2.55%	-0.73%	1.76%
Mortgage Backed Securities - ICE BofA	1.13%	4.14%	6.42%	2.28%	-0.63%	1.31%
US High Yield Bonds - ICE BofA	3.57%	4.55%	10.24%	9.85%	6.01%	5.29%
INTERNATIONAL (Measured in US Dollars)						
Non-US Stocks - MSCI EAFE	12.07%	19.92%	18.33%	16.57%	11.72%	7.03%
World Stocks (includes US) - MSCI World	11.63%	9.75%	16.76%	18.87%	15.09%	11.23%
European Stocks - MSCI Europe	11.80%	23.69%	19.13%	17.95%	13.08%	7.43%
Japanese Stocks - MSCI Japan	11.39%	11.95%	14.29%	15.46%	9.15%	6.45%
Asian Stocks (Ex-Japan) - MSCI Pacific ex-Japan	14.26%	14.67%	19.14%	10.52%	9.09%	5.90%
Chinese Stocks - MSCI China	2.08%	17.46%	34.11%	3.27%	-0.83%	2.28%
Indian Stocks - MSCI India	9.73%	6.55%	2.28%	16.54%	18.88%	9.54%
Emerging Markets - MSCI EM	12.20%	15.57%	15.97%	10.23%	7.26%	5.23%
Int'l Gov't Bonds -FTSE Non-USD World Gov't Bond	7.37%	9.87%	10.87%	1.83%	-3.21%	0.00%
REAL ESTATE						
FTSE NAREIT Equity-Reits Index	-1.16%	-0.25%	8.60%	5.35%	8.63%	6.27%
SHORT TERM INTEREST RATES						
T-Bills	1.09%	2.21%	4.88%	4.76%	2.88%	2.01%

Note: Returns for periods longer than 12 months are annualized.