Stock market momentum retreated in the first quarter, falling into negative territory, while bond investors enjoyed positive returns, as interest rates declined across the yield curve. The Federal Reserve target funds rate remained unchanged at 4.25% to 4.50% in the first quarter of 2025. The Federal Open Market Committee's (FOMC) March statement highlighted, "Looking ahead, the new Administration is in the process of implementing significant policy changes in four distinct areas: trade, immigration, fiscal policy, and regulation. It is the net effect of these policy changes that will matter for the economy and for the path of monetary policy. While there have been recent developments in some of these areas, especially trade policy, uncertainty around the changes and their effects on the economic outlook is high." The "hard" economic data reported in the first quarter continued to be solid. U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 2.4% during the fourth quarter of 2024. Inflation, as measured by the U.S. Consumer Price Index (CPI), rose by 2.4% for the twelve-month period ending March 2025. The Bureau of Labor Statistics (BLS) reported the unemployment rate remained steady at 4.2% in March, while the U6 measure, which includes not only the unemployed but also underemployed workers and those marginally attached to the labor force, increased slightly to 7.9%. However, "soft" economic data, generally interpreted as leading indicators, reported significant declines throughout the first quarter. The Conference Board Consumer Confidence Index declined dramatically to 92.9 in March. Similarly, the closely followed University of Michigan Consumer Sentiment Survey posted a March reading of 57.9. a 10.5% decline from February.

Mid-quarter, the S&P 500 reversed its upward trajectory to post a negative return of -4.28% by quarter-end, while the tech-heavy NASDAQ 100 fared even worse returning -8.07% for the quarter. The Bloomberg U.S. Aggregate Index generated a positive return of 2.78% for the quarter. The 2-year Treasury yield declined by 35 bps to 3.89%, while the 10-year Treasury yield declined by 36 bps to finish the quarter at 4.21%. During the quarter, U.S. Treasuries returned +2.92%, while all other major investment grade bond sectors were also positive – Investment Grade (IG) corporate bonds (+2.31%), U.S. Agency Securities (+2.25%), Mortgage-Backed Securities (+3.06%), Commercial MBS (+2.57%) and Asset-Backed Securities (+1.53%). U.S. High Yield Corporate Bonds lagged, given the risk-off trade late in the quarter, but still provided a positive return of +1.00%.

Our investment outlook can be distilled down to the two most common talking points in today's investment vernacular—tariffs and uncertainty. This is why, in this quarterly investment outlook, we're referencing events a bit beyond the first quarter into early April to include "Liberation Day." Unfortunately, for all those "wait and see" investors seeking greater clarity, Liberation Day and the weeks to follow delivered even greater ambiguity with "worst-case" tariff announcements followed by a "pause" and then industry specific exceptions. During the week of April 7th, according to Jim Reid, Global Head of Macro Research at Deutsche Bank, the U.S. capital markets experienced the biggest stock market sell-off since 2020, the biggest stock market rally since 2008, and the biggest upward surges in 10-year and 30-year Treasury yields since 2001 and 1987, respectively. Additionally, the U.S. dollar (DXY) declined roughly 2% during this same week, adding to the DXY's more than 8% slide from it's 2025 high set in early January.

PIA entered 2025 with a "wait and see" attitude, predominantly due to the wide range of potential policy implications, including the economic impacts of tariffs. Our economic and market optimism was based on visions of deregulation and lower taxes driving U.S. investment and capital inflows. U.S. GDP-per-capita remains the highest worldwide, and U.S. exceptionalism was never stronger. We were legitimately concerned about the climbing U.S. national debt fueled by our $2+ trillion budget deficit (roughly 7% of the annual U.S. GDP). However, unemployment was near a historical low, consumer spending and sentiment were strong, real GDP was at/near trend, and while inflation remained stubbornly above the 2% target, CPI/PCE appeared to be trending lower. The stage was set for the U.S. to pull in global capital with favorable regulatory and tax policies that would expand and grow our economy, leading to deficit reduction. So what changed?

U.S. fiscal policy didn't lead-off with lowering prices, lowering taxes, or deregulation. Instead, policymakers leaned in the direction of global trade tariffs, governmental closures/lay-offs, and imperialistic overtones directed at U.S. allies, including Canada, Greenland, and Panama. Importantly, the frequent

changes in tariff targets and levels have added to the opacity in U.S. tariff objectives. Tariffs are a consumption tax that increases economic friction, leading to slower growth while also putting upward pressure on prices, leading to higher inflation, at least in the short-term. The combination of dramatic tariff rhetoric, with expectations for lower interest rates and GDP growth, unveiled significant incongruence in fiscal objectives and exacerbated the preexisting level of uncertainty. Fed Chairman Powell, in his March 19th FOMC press conference, estimated the impacts of tariffs would likely lead to a year-over-year increase in PCE of 3.5%, a decline in GDP to 1%, and a rise in unemployment to 4.4%. These estimates portend potential stagflation – declining growth, rising unemployment, and rising inflation. Stagflation concerns also raise the level of uncertainty as it limits Federal Reserve options to ease monetary policy at a time when recession concerns have increased substantially. An essential component of U.S. exceptionalism has been effective monetary policy and protecting the world's reserve currency. We are mindful that the pace and perceived magnitude of policy impacts on many of our trading partners may raise concerns regarding future demand for dollar-denominated financial assets. While it appears the risks of U.S. economic contraction have risen notably over the past several weeks, we are increasingly concerned about stagflation risk and the potential for rising interest rates at a time when economic growth may be under pressure. Fortunately, the bond market offers debt issuers with solid balance sheets that offer attractive income opportunities regardless of the near-term direction of the U.S. economy.

PIA portfolio duration for our Core Strategies remained at the long end of our neutral duration range (+/- 0.25 years relative to our respective benchmarks), given our concerns of an economic slowdown, but we continue to evaluate the potential for stagflation. We continue to modestly overweight corporate debt, given the incremental income, focusing on high quality credits with strong balance sheets. We maintain a modest overweight in Agency Mortgage Backed Security during the quarter, given its long-term risk-reward vs. Treasuries. In our Plus strategies, we maintain modest high yield credit exposure, as absolute yields approach attractive levels.

PIA Investment Strategy Group

INDEX RETURNS	QTD	YTD	1-Year
Bloomberg			
Universal	2.66%	2.66	5.24%
Aggregate	2.78	2.78	4.88
Gov-Credit	2.70	2.70	4.66
Int. Gov-Credit	2.42	2.42	5.65
IG - Corporate	2.31	231	4.90
Treasury only	2.92	292	4.51
1-3 year Gov	1.62	1.62	5.42
High Yield Corporate	1.00	1.00	7.69

INDEX RETURNS	QTD	YTD	1-Year
Bloomberg			
Global Aggregate	2.64%	2.64%	3.05%
Emerging Markets Debt	2.34	2.34	7.43
ICE BofA -1-year T-Note	1.05	1.05	0.33
S&P 500	-4.28	-4.28	8.23
DJIA	-0.87	-0.87	7.40
NASDAQ 100	-8.07	-8.07	6.44
MSCI EAFE	7.03	7.03	5.46

SECTOR RETURNS	QTD	QTD (Excess)	YTD	YTD (Excess)
Treasury (actual returns)	2.92%	—	2.92%	—
U.S. Agency	2.25	-0.08	2.25	-0.08
Mortgage Backed Security	3.06	-0.27	3.06	-0.27
Commercial Mtg Backed Security	2.57	-0.25	2.57	-0.25
Corporate	2.31	-0.42	2.31	-0.42
Financials	2.31	-0.35	2.31	-0.35
Industrials	2.36	-0.47	2.36	-0.47
Utilities	1.97	-0.41	1.97	-0.41
AAA-rated	2.69	-0.22	2.69	-0.22
AA-rated	2.43	-0.27	2.43	-0.27
A-rated	2.38	-0.33	2.38	-0.33
BBB-rated	2.21	-0.54	2.21	-0.54
High Yield Corporate	1.00	-1.51	1.00	-1.51

Source: Bloomberg
Excess returns are the return achieved by a security (or portfolio of securities) above the return of a benchmark.

CREDIT SPREADS	3/31/25	12/31/24	12/31/23
All Index Treasuries (yield)	-0.4	4.5	4.1
U.S. Agency	26.6	25.0	24.2
Mortgage Backed Security	80.1	76.5	81.3
Commercial Mortgage Backed Security	89.9	82.3	128.3
IG - Corporate	95.6	81.5	100.6
Financials	96.5	83.7	113.6
Industrials	93.5	79.7	92.2
Utilities	105.2	84.3	107.6
AAA-rated	43.6	34.5	38.5
AA-rated	55.5	46.5	48.1
A-rated	81.1	69.5	85.9
BBB-rated	116.7	98.9	123.7
High Yield Corporate	374.1	313.5	346.4

Source: Bloomberg

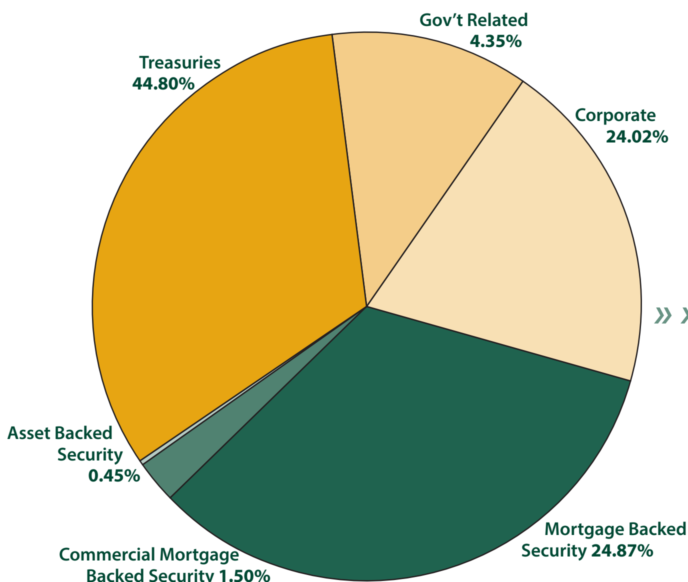
KEY INDICATORS	3/31/25	12/31/24
U.S. $ Index (DXY)	104.21	108.49
Oil (CL1)	71.5	71.7
Commodity Research Bureau (CRB)	309.3	296.7
Gross domestic Product (GDP)	2.4	2.4
Consumer Price Index (CPI)	2.5	2.9
Core CPI (Ex - Food & Energy)	3.0	3.3
Consumer Confidence	92.9	109.5
Unemployment Rate	4.1	4.1
S&P/Case Shiller - Comp - 20	4.7	4.5

Source: Bloomberg

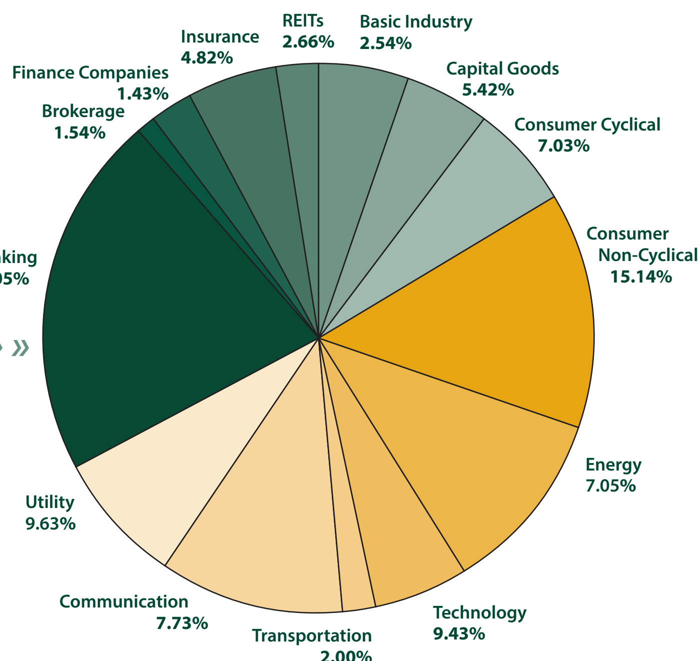
KEY RATES	1Q25	4Q24	4Q24	QTD Return	YTD Return
Fed Funds	4.50%	4.50%	4.50%	n/a	n/a
On-the-Run's					
3 Months	4.30	4.32	4.32	1.02	1.02
6 Months	4.23	4.27	4.27	1.02	1.02
2 Years	3.89	4.24	4.24	1.56	1.56
5 Years	3.95	4.38	4.38	2.93	2.93
10 Years	4.21	4.57	4.57	4.01	4.01
30 Years	4.57	4.78	4.78	4.40	4.40

Source: Bloomberg

BLOOMBERG **AGGREGATE**



BLOOMBERG **CORPORATE**



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INDEX DESCRIPTION

Bloomberg U.S. Universal Index represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield Index, Investment-Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment-grade or below investment-grade. Some U.S. Universal Index constituents may be eligible for one or more of its contributing subcomponents that are not mutually exclusive. These securities are not double-counted in the index.

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The issues must be rated investment grade, be publicly traded, and meet certain maturity and issue size requirements.

Bloomberg U.S. Government/Credit Bond Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg U.S. Intermediate Government/Credit Bond Index is the Intermediate component of the U.S. Government/Credit index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg U.S. Corporate Bond Index covers USD-denominated, investment-grade, fixed-rate, taxable securities sold by industrial, utility, and financial issuers. It includes publicly issued U.S. corporate debentures and secured notes that meet specific maturity, liquidity, and quality requirements. Securities in the index roll up to the U.S. Credit and U.S. Aggregate indices. The U.S. Corporate Index was launched on January 1, 1973.

Bloomberg U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the Index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Bloomberg U.S. 1-3 Year Government Bond Index consist of securities in the U.S. Government Index with a maturity from 1 up to (but not including) 3 years. Securities issued by the U.S. Government (i.e., securities in the Treasury and Agency Indices). Inclusions: Public obligations of the U.S. Treasury with a remaining maturity of one year or more. Publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government.

ICE BofA 1-Year US Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

Bloomberg Corporate U.S. High Yield Index - covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The Yankee sector has been discontinued as of 7/1/00. The bonds in the former Yankee sector have not been removed from the index, but

have been reclassified into other sectors.

Bloomberg Global Aggregate Index provides a broad-based measure of the global investment-grade fixed-rate debt markets. The Global Aggregate Index contains three major components: the U.S. Aggregate Index (USD 300 million), the Pan-European Aggregate Index (EUR 300 million), and the Asian-Pacific Aggregate Index (JPY 35 billion). In addition to securities from these three benchmarks (94.4% of the overall Global Aggregate market value), the Global Aggregate Index includes Global Treasury, Eurodollar (USD 300 million), Euro-Yen (JPY 35 billion), Canadian (CAD 300 million), and Investment-Grade 144A (USD 300 million) index-eligible securities not already in the three regional aggregate indices. The Global Aggregate Index family includes a wide range of standard and customized subindices by liquidity constraint, sector, quality, and maturity. The Global Aggregate Index is a component of the Multiverse Index.

The Bloomberg EM USD Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. The index is broad-based in its coverage by sector and by country, and reflects the evolution of EM benchmarking from traditional sovereign bond indices to Aggregate-style benchmarks that are more representative of the EM investment choice set. Country eligibility and classification as an Emerging Market is rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications. This index was previously called the Barclays US EM Index and history is available back to 1993.

S&P 500 Index – The S&P 500 index includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The Dow Jones Industrial Average (DJIA) is an index used to measure the performance of the U.S. financial markets. Introduced on May 26, 1896 by Charles H. Dow, it is the oldest stock price measure in continuous use. Over the past century "the Dow" has become the most widely recognized stock market indication in the U.S. and probably in the entire world. Most of the stocks included in the index are listed on the New York Stock Exchange, and are all large blue-chip companies that reflect the health of the U.S. economy. All but a handful of these have major business operations throughout the world, thus providing some insight into the economic well-being of the global economy.

The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No security can have more than a 24% weighting. The index was developed with a base value of 125 as of February1, 1985. Prior to December 21, 1998 the Nasdaq 100 was a cap-weighted index.

MSCI EAFE Index is a capitalization weighted index that monitors the performance of stocks from Europe, Australiasia, and the Far East.

Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly.

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