Bangor WEALTH MANAGEMENT

Wealth Management Newsletter

Summer Issue 2025

KEY POINTS

- U.S. equities nearly entered a bear market in April before staging the fastest recovery on record; the S&P 500 ended Q2 up 10.9%, rewarding investors who stayed committed to their long-term investment strategy
- The first half of 2025 has marked the return of diversification, with meaningful contributions from international equities, fixed income, and alternatives
- The U.S. economy showed signs of reacceleration in Q2, with GDP expected in the 2.5%–3.0% range and consumer strength intact, though tariff-driven inflation uncertainty has complicated the Fed's job; that said, markets still expect rate cuts later this year

THE ECONOMY

In Q2 2025, the U.S. economy showed signs of recovery after a contraction in Q1. Real GDP grew at an annualized rate of 2.9%, according to the Atlanta Fed's GDPNow estimate, rebounding from -0.5% in Q1, driven by a surge in consumer spending and a rebound in investment, though tempered by policy uncertainties. Consumer spending remained resilient but slowed compared to late 2024. Inflation pressures persisted, with core PCE inflation projected to reach 3.6% by Q4, driven by tariffs. The labor market softened, adding 139,000 jobs in May, below expectations, with unemployment steady at 4.2% but projected to rise to 4.8% by year-end. The Federal Reserve maintained rates at 4.25%–4.50% in June, with potential cuts expected in the second half of the year.

GLOBAL EQUITIES

The second quarter of 2025 was marked by a brief but intense bout of volatility in April, followed by a swift and historic rebound. Despite early fears, economic data remained resilient and most major asset classes finished the quarter in positive territory. U.S. equities saw a sharp April selloff, with the S&P 500 falling nearly 19% from February highs before recovering to end the quarter up 10.9%—the fastest rebound on record—bringing the year-to-date return to 6.2%. Growth leadership remained intact, led by Information Technology (+23.7%), Communication Services (+18.5%), and Industrials (+12.9%), supported by AI-driven capital investment and improving earnings expectations. The NASDAQ surged 17.86%, while the Dow Jones Industrial Average rose 5.46%. Mid- and small-cap stocks posted gains of 6.7% and 8.5%, respectively. In a reversal from recent trends, international and emerging market equities outperformed, building on strong first-quarter performance and supported by currency tailwinds. Developed markets rose 11.8%, while emerging markets gained 12%. Real estate was more muted, with the DJ Real Estate Index returning just 0.4%, as higher-for-longer interest rate expectations weighed on income-oriented assets.

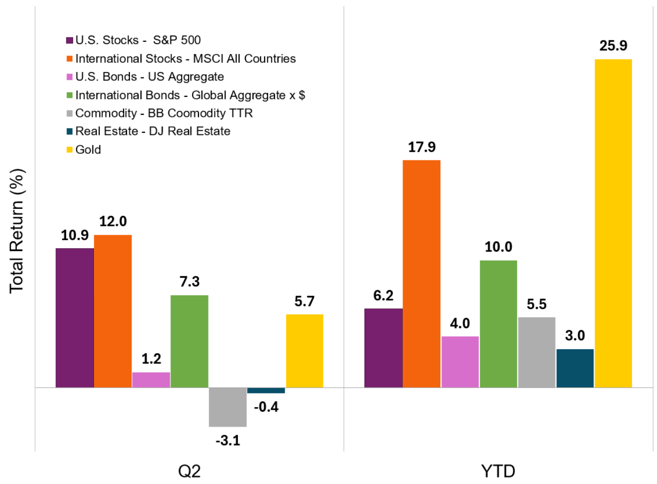
FIXED INCOME MARKETS

U.S. fixed income markets were relatively flat in the second quarter, with bond yields hovering near unchanged levels. The U.S. Treasury Index delivered a modest 0.8% return, driven by coupon payments and steady yields. Riskier segments—including Investment Grade Corporates, High Yield, and Global Bonds—outperformed Treasuries, as credit spreads remained tight. Market-based inflation expectations edged higher amid rising concerns about the inflationary impact of tariffs.

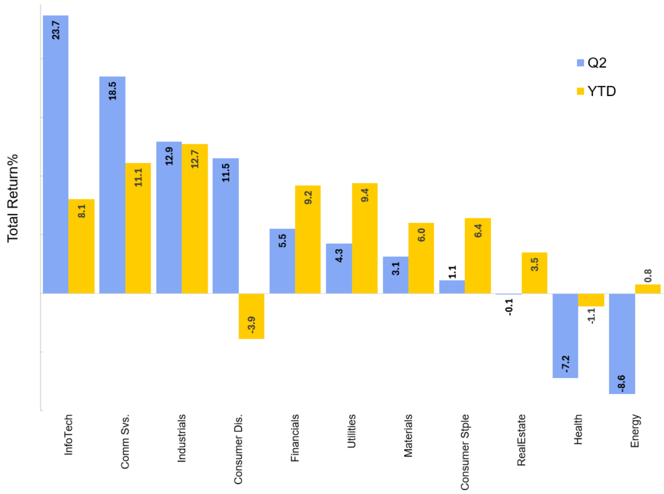
LOOKING AHEAD

The second quarter of 2025 saw significant volatility as investors navigated policy uncertainty and war in the Middle East. In both cases, worst-case scenarios failed to materialize, and without major deterioration in economic data, most asset classes posted positive returns. The S&P 500 came close to bear market territory in April before staging a record-breaking rebound—underscoring how quickly markets recover, often before sentiment improves. While interest in moving to cash spiked during the drawdown, staying diversified and invested proved far more effective. So far, 2025 has seen a resurgence in the benefits of well-constructed, broadly diversified portfolios. While U.S. large-cap equities have led for over a decade, other areas of the portfolio—international equities, short-duration bonds, gold, etc.—provided resilience during the volatility around Liberation Day. We continue to lean more heavily into global diversification than in recent years, supported by attractive valuations, currency tailwinds, and improving sentiment tied to long-term structural catalysts. Domestically, we remain constructive but have rotated exposure toward areas with broader participation and more compelling valuations. The AI arms race remains a dominant U.S. theme, and we're optimistic about its long-term potential. Still, given the magnitude of the recovery, we maintain a somewhat defensive overall posture. As we enter the back half of the year, we're focused on helping you stay aligned with your long-term strategy and risk tolerance. Please don't hesitate to reach out to our wealth management team to review your investment goals and ensure your portfolio is positioned appropriately.

MAJOR ASSET CLASS RETURNS



S&P 500 SECTOR RETURNS



SIZE & STYLE RETURNS

Quarter-to-Date				Year-to-Date		
Value	Core	Growth		Value	Core	Growth
3.9%	10.6%	16.8%	Large	6.0%	6.1%	6.1%
5.1%	8.1%	17.1%	Medium	3.1%	4.8%	9.8%
4.9%	8.5%	11.9%	Small	-3.2%	-1.8%	-0.5%

OTHER

	6/30/2025	12/31/2024	12/31/2023
Fed Funds Target	4.50%	4.50%	5.50%
30-Year Fixed Mortgage	6.80%	7.28%	6.99%
WTI Oil ($/barrel)	$65.11	$71.72	$71.65
U.S. Dollar ($)	$96.88	$108.49	$101.33
Gold ($/oz)	$3,303.14	$2,624.50	$2,062.98
Bitcoin	$107,607	$93,714	$42,508

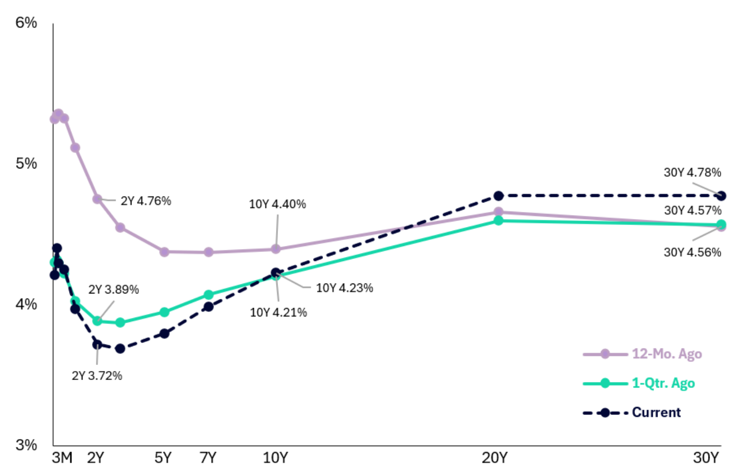
EQUITY INDEX RETURNS

Index	YTD	1 YR	3 YR
U.S. Large Cap - S&P 500	6.20%	15.14%	71.45%
Dow Jones Industrial Average	4.55%	14.72%	52.04%
NASDAQ Composite	5.86%	15.70%	89.28%
U.S. Mid Cap - S&P 400	0.19%	7.50%	43.46%
U.S. Small Cap - Russell 2000	-1.79%	7.66%	32.99%
Developed International - MSCI EAFE	19.94%	18.42%	58.80%
Emerging International - MSCI Emerging	15.52%	15.89%	33.68%
MSCI All Country World Index	10.33%	16.70%	63.98%

U.S. FIXED INCOME RETURNS

Index	YTD	1 YR	3 YR
Bloomberg U.S. Aggregate	4.02%	6.08%	7.85%
Bloomberg Gov't/Credit	3.95%	5.89%	8.03%
Bloomberg U.S. TIPS	4.67%	5.84%	7.19%
Bloomberg U.S. Credit	4.22%	6.83%	13.10%
Bloomberg Corporate High Yield	4.57%	10.28%	32.84%

U.S. TREASURY MARKET



Maturity	Current	1-Qtr. Ago	12-Mo. Ago
3-Month	4.30%	4.30%	5.36%
6-Month	4.25%	4.23%	5.33%
1-Year	3.97%	4.03%	5.12%
2-Year	3.72%	3.89%	4.76%
5-Year	3.80%	3.95%	4.38%
10-Year	4.23%	4.21%	4.40%
30-Year	4.78%	4.57%	4.56%

Source: Bangor Wealth Management and Bloomberg. Data as of 6/30/2025. Past performance is no guarantee of future results.