

JUNE 2025 MARKET COMMENTARY

Summary

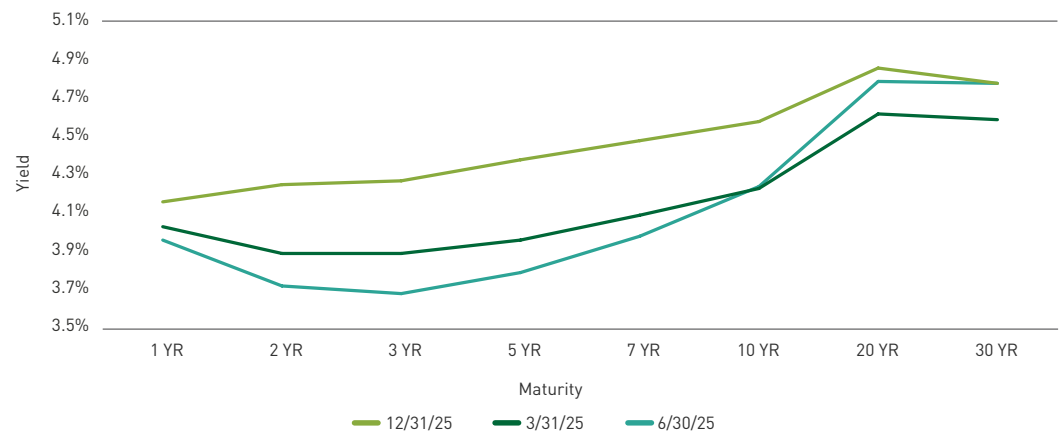
- **U.S. Treasury Curve:** Treasury yields fell in June and steepened for the quarter, with yields falling in the 1- to 10-year range and increasing beyond 10 years.
- **Municipal Market Rates and Technicals:** Despite record setting levels of new issue supply, municipal bonds¹ earned a positive total return of 0.94 percent (1.82 percent year-to-date (YTD)) and Municipal/Treasury Ratios² (M/T Ratios) remained steady at higher YTD levels.
- **Corporate Market Technicals:** The option-adjusted spread (OAS) for the Bloomberg (BBG) Corporate Investment Grade (IG) Index³ (the Corporate Bond Index) tightened by 5 basis points (bps). Total fixed-rate gross investment grade (IG) corporate bond new issuance was more than \$149 billion.
- **Securitized Trends:** Total and excess returns⁴ across mortgage-backed securities (MBS) and asset-backed securities (ABS) sectors for the month and YTD periods were positive, per BBG data.
- **Equity Market Trends:** Equity markets, as represented by the S&P (the S&P Index),⁵ ended June near all-time highs. Returns were positive across 10 of 11 sectors for the month and 8 of 11 sectors YTD.

The following commentary is a summary of discussions among members of the Breckinridge Capital Advisors Investment Committee as they reviewed monthly activity in the markets and investment returns. The members of the Investment Committee, under the leadership of Co-Chief Investment Officers Matthew Buscone and Jeffrey Glenn, CFA, are Co-Heads of Research, Nicholas Elfner and Adam Stern, J.D., M.P.A.; and Portfolio Manager and Director, Corporate Research, Josh Perez, CFA.

1. Returns are as of June 30, 2025, for the Bloomberg Municipal Managed Money Short/Intermediate (1-10) Index, which measures the performance of the publicly traded municipal bonds that cover the USD-denominated short/intermediate term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. It is rules-based and market-value weighted. You cannot invest directly in an index.
2. The Municipal/Treasury (M/T) ratio compares yields of municipals bonds with those of U.S. Treasury bonds of the same maturity. M/T ratios can show the relative value of municipal bonds compared with taxable bonds, by indicating when yields for municipal bonds exceed the after-tax yields on taxable bonds. M/T ratio data is per Municipal Market Data, as of May 31, 2025.
3. IG Corporate bond performance as of June 30, 2025, is as measured by the BBG U.S. Corporate Investment Grade Bond Index, an unmanaged market-value-weighted index of investment grade corporate fixed-rate debt issues with maturities of one year or more. You cannot invest directly in an index.
4. Excess return refers to the amount by which an investment's actual return exceeds what is expected, given its risk level. It measures how much an investment outperforms a benchmark or a risk-free rate. A positive excess return indicates outperformance, while a negative one suggests underperformance. Bond excess return is typically the return of a corporate or securitized bond compared to the return of a U.S. Treasury security of the same maturity.
5. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.



FIGURE 1: INTERMEDIATE-TERM YIELDS DECLINED IN THE FIRST HALF OF 2025, WHILE THE LONG END INCREASED IN THE SECOND QUARTER



Source: U.S. Department of the Treasury, as of June 30, 2025. Past performance is not indicative of future results.

MARKET REVIEW

The second quarter ended on a high note for both equity and fixed income investors. Data indicated the economy is resilient and growing, although signs of slowing remain.⁶ Statements from some members of the Federal Open Market Committee (FOMC) suggested a more accommodative view of the potential for future interest rate cuts, and President Donald J. Trump's comments continued to urge the Federal Reserve (Fed) in that direction. Violence roiling the Middle East receded as June ended. In the U.S., Republicans in Congress worked to pass a budget package for President Trump's signature that includes much of his tax cut and spending agenda.⁷

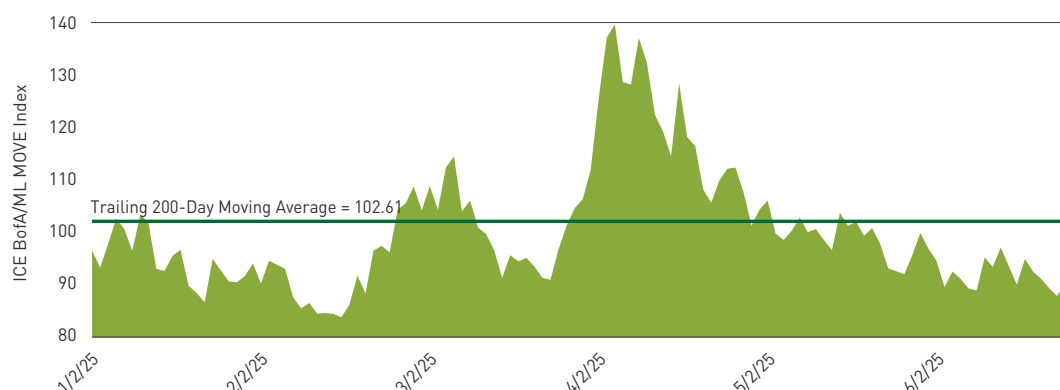
At its June meeting, the FOMC kept the federal funds rate targeted at a range between 4.25 percent to 4.5 percent. In comments, Fed Chair Jerome Powell said the committee expects inflation to remain elevated and sees lower economic growth ahead.

In June, Treasury yields from two years and longer moved lower in a parallel fashion. During the second quarter, the Treasury yield curve twisted steeper notably during the quarter, with the 2- and 5-year maturities falling 16 and 15bps, respectively, while the 10- and 30-year yields were 2 and 20bps higher, respectively (See Figure 1). Bond market volatility was at low levels, as measured by the Intercontinental Exchange Bank of America/Merrill Lynch MOVE Index declined (See Figure 2).

6. In June, the Department of Labor reported initial jobless claims were lower, although the trailing 4-week moving average and continuing claims trended higher. The Bureau of Labor Statistics reported unemployment was 4.2 percent, up from 4 percent in January. The Fed's Summary of Economic Projections sees unemployment increasing to 4.5 percent by the end of 2025. Core Personal Consumption Expenditures (PCE), the Fed's preferred inflation gauge, increased 2.7 percent year-over-year (Y/Y), with the three-month annualized rate of 1.6 percent, below the Fed's 2 percent target. The University of Michigan Consumer Sentiment report rose higher from April and May lows. Among the signals of slowing growth were the Institute for Supply Management's May manufacturing estimates that pointed to weakness in the factory sector and a U.S. Census Bureau report showed June construction spending was lower. In addition, the Federal Reserve Bank of Atlanta's *GDPNow* estimate for second quarter real gross domestic product (GDP) growth (seasonally adjusted annual rate) in the second quarter of 2025 was 2.5 percent on July 1, down from 2.9 percent on June 27 and 3.4 percent on June 18.
7. President Donald Trump on July 4, 2025, signed the tax and spending cut bill Republicans pushed through Congress. The legislation includes tax breaks, spending cuts, and other Republican priorities.



FIGURE 2: BOND MARKET VOLATILITY JUMPED IN EARLY APRIL, RETURNED TO LOWER LEVELS, & ENDED JUNE BELOW THE 200-DAY MOVING AVERAGE



Source: Intercontinental Exchange, as of June 30, 2025. Past performance is not indicative of future results.

The BBG Treasury Bond Index⁸ gained 1.25 percent in June, 0.85 percent in the quarter ended June 30, and 3.79 percent YTD through June 30.

The Breckinridge Investment Committee expects growth to remain muted in the second half of 2025. Because consumer spending is a critical component of the growth outlook, a recent softening of real spending (down 0.3 percent in May) and the ongoing tariff-related uncertainty are the largest risks to growth, consumer spending, and price levels, in our view.

The Committee continues to expect two Fed rate cuts this year, starting in September. The Fed's June commentary, while perceived by some as more dovish, continues to reinforce a bias to monitor data for potential tariff effects on growth and inflation before taking action.

MUNICIPAL MARKET REVIEW

Supply continued to surge with over \$60 billion of new issuance in June bringing the YTD total to \$287 billion, up 14 percent from the first half of 2024, according to data from the London Stock Exchange Group (LSEG), as reported by *The Bond Buyer*.

Despite the surge, municipal bonds, as measured by the BBG Short/Intermediate Municipal Bond Index, posted a positive return at 0.94 percent in June, 1.33 percent for the quarter ended June 30, and closed the first half of 2025 up 1.82 percent.

Yields for 2-, 5-, 10-, and 30-year municipal bonds fell 17, 16, 10, and 2bps, respectively, as the yield curve steepened (See Figure 3). For the quarter and YTD through June 30, 2- and 5-year yields fell, while 10- and 30-year yields increased. M/T Ratios were steady at the upper end of the 2025 range (See Figure 4).

Supply is likely to moderate over the balance of the summer, in our view, which should pressure M/T ratios lower, helping to improve returns in the 10-year range.

Through June 30, monthly municipal bond fund net asset inflows exceeded \$1.1 billion, LSEG reported, and totaled about \$6.5 billion YTD.

8. The Bloomberg U.S. Treasury Bond Index is an unmanaged index of prices of U.S. Treasury bonds with maturities of 1 to 30 years. You cannot invest directly in an index. You cannot invest directly in an index.



FIGURE 3: HIGHER YIELDS FROM 10-YEARS AND OUT ARE MAKING THE CASE FOR MUNICIPAL BOND ALLOCATIONS MORE COMPELLING

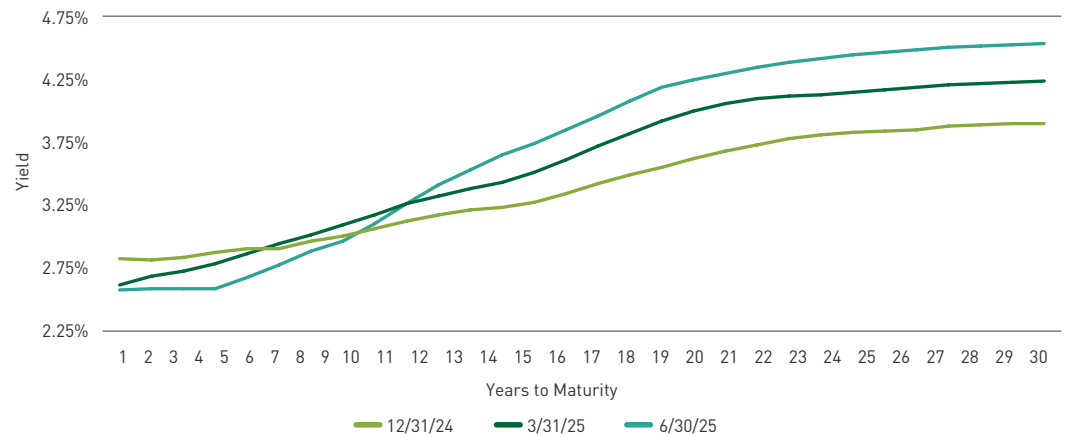
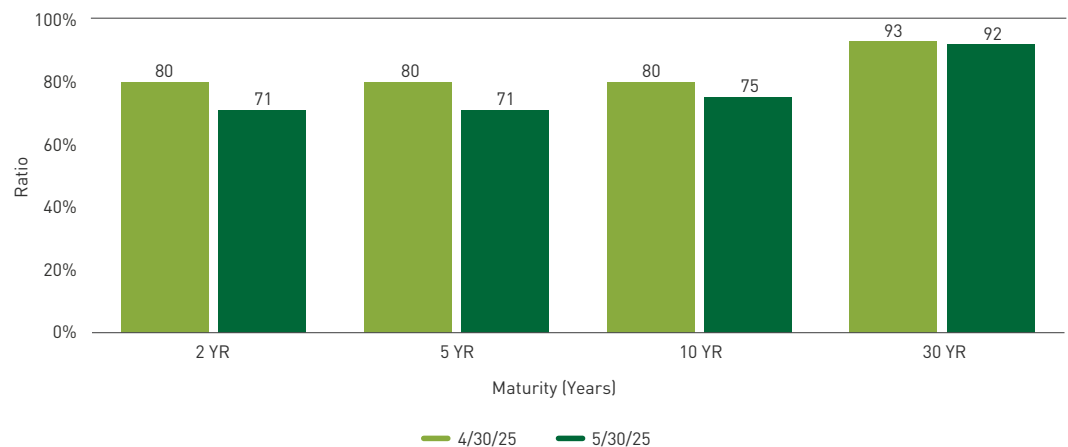


FIGURE 4: M/T RATIOS REMAINED SOLID THROUGH JUNE 30



CORPORATE MARKET REVIEW

The U.S. Corporate Index OAS tightened by 5bps in June. Through June 30, the Corporate Bond Index's total returns were 1.87 percent for the month, 1.82 percent for the quarter, and 4.17 percent YTD. Excess returns for the same periods were 0.38 percent, 1.14 percent, and 0.21 percent.

According to BBG data, the best performing sectors were in Energy, including Independent Oil, Oil Field Services, Midstream Oil Services, and Oil Refining. The Health Insurance sector also was a performance leader. The worst-performing sectors were Media Entertainment, Supranationals, Foreign Agencies, Construction Machinery, and Retailers. Across the IG quality spectrum, bonds rated BBB had the highest positive total and excess returns. Longer maturity corporate bonds outperformed intermediate maturities both from a total and excess return basis.

Total fixed rate gross IG supply in June was \$149 billion. After \$110 billion in redemptions, net supply was about \$39 billion, BBG reported. For the first half of 2025, total fixed rate gross IG supply was more than \$1.066 trillion, with \$722.7 billion in redemptions, for net issuance of \$344 billion. Comparable 2024 YTD totals for the same period were \$1.064 trillion, \$594.1 billion, and \$469.2 billion, respectively.

Through June 25, a month-to-date net total of approximately \$43.5 billion flowed into long-term taxable bond mutual and exchange traded funds (ETFs), according to the Investment Company Institute (ICI).



SECURITIZED MARKET REVIEW

ONE-MONTH, QUARTER-TO-DATE (QTD), AND YTD RETURNS THROUGH JUNE 30, 2025:

BBG Index	One-Month Total Return (%)	One-Month Excess Return (%)	QTD Total Return (%)	QTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index ⁹	1.78	0.36	1.14	0.17	4.23	0.10
BBG CMBS Index ¹⁰	1.22	0.16	1.88	0.39	4.49	0.33
BBG Agency CMBS Index ⁹	1.19	0.07	1.76	0.24	4.67	0.33
BBG Non-Agency CMBS Index ⁹	1.25	0.26	2.00	0.54	4.31	0.33
BBG ABS Auto Loan Index ¹¹	0.71	0.13	1.45	0.28	2.93	0.22
BBG ABS Credit Card Index ¹⁰	0.85	0.16	1.48	0.24	3.18	0.20

Source: BBG Index data, as of June 30, 2025. Past Performance is not a guarantee of future results.

During June, MBS and ABS total and excess returns were positive.

According to BBG data, conventional¹² MBS with coupons ranging from 2.0 to 3.0 outperformed others in the category, while Ginnie Mae¹³ MBS with 3.5 and 4.0 coupons performed best.

Credit card ABS outperformed auto loan ABS on a total return basis for the month and quarter ended June 30, while auto loan ABS outperformed credit card ABS YTD on a total and excess return basis.

EQUITY MARKET REVIEW

The S&P Index earned a positive monthly return of 5.1 percent in June, 10.6 in the quarter ended June 30, and is up about 24 percent since the low level reached on April 8. The Chicago Board Options Exchange (BoE) Volatility Index¹⁴ (VIX) declined (See Figure 5). The 200-day moving average was steady over the month.

At a sector level, 10 of 11 sectors earned positive monthly returns: Information Technology (9.8 percent), Communication Services (7.3 percent), Energy (4.9 percent), Industrials (3.6 percent), Financials (3.2 percent), Materials (2.3 percent), Consumer Discretionary (2.2 percent), Health Care (2.0 percent), Utilities (0.3 percent), and Real Estate (0.2 percent). The only sector that had a negative total return in June was Consumer Staples (1.9 percent).

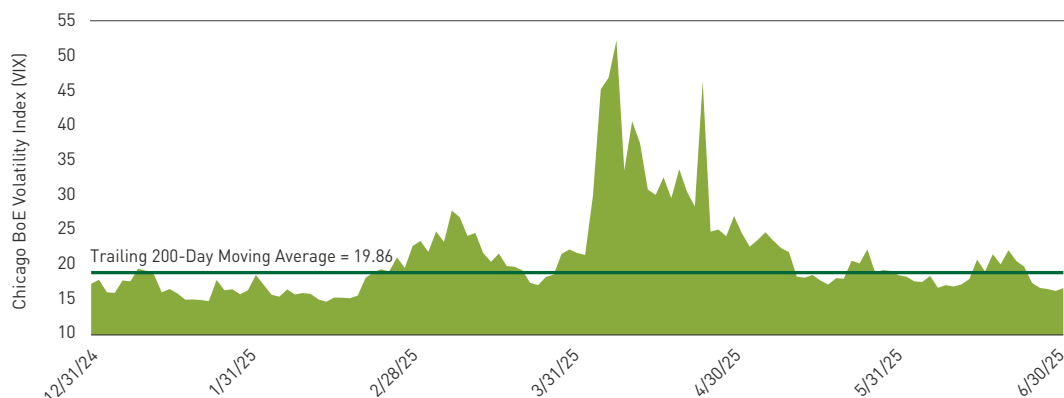
At a sector level for the quarter ended June 30, 8 of 11 sectors earned positive returns: Information Technology (23.7 percent), Communication Services (18.5 percent), Industrials (12.9 percent), Consumer Discretionary (11.5 percent), Financials (5.5 percent), Utilities (4.3 percent), Materials (3.1 percent), and Consumer Staples (1.1 percent). Negative total returns were in Real Estate (0.1 percent), Health Care (7.2 percent), and Energy (8.6 percent).

The Russell 1000 Value Index¹⁵ gained 3.4 percent and 3.8 percent for the month and quarter ended June 30, respectively, while the Russell 1000 Growth Index¹⁶ added 6.4 percent and 17.8 for the same periods, respectively.

9. The Bloomberg MBS Index tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by government-sponsored enterprises (GSEs) Government National Mortgage Association (Ginnie Mae) (GNMA), Federal National Mortgage Association (Fannie Mae) (FNMA), and Federal Home Loan Mortgage Corporation (Freddie Mac) (FHLMC). The index is constructed by grouping individual pools into aggregates or generics based on program, coupon, and vintage. You cannot invest directly in an index.
10. The Bloomberg U.S. CMBS Investment Grade Index measures the market of U.S. Agency (GNMA, FNMA, and (FHLMC) and U.S. Non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300mn. You cannot invest directly in an index.
11. Bloomberg U.S. Asset-Backed Securities (ABS) Index is the ABS component of the Bloomberg U.S. Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos, and utility. You cannot invest directly in an index.
12. Conventional MBS are issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC).
13. Ginnie Mae MBS are issued by the Government National Mortgage Association (GNMA).
14. The Chicago Board Options Exchange (BoE) Volatility (VIX) Index is a measure of the stock market's expectation of volatility based on S&P 500 index options. You cannot invest directly in an index.
15. The Russell 1000® Value Index is an unmanaged market capitalization-weighted index of value-oriented stocks of U.S. domiciled companies that are included in the Russell 1000 Index. Value-oriented stocks tend to have lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.
16. The Russell 1000® Growth Index is an unmanaged market capitalization-weighted index of growth-oriented stocks of U.S. domiciled companies that are included in the Russell 1000 Index. Growth-oriented stocks tend to have higher price-to-book ratios and higher forecasted growth values. You cannot invest directly in an index.



FIGURE 5: OFF OF APRIL HIGHS, EQUITY MARKET VOLATILITY FELL TO YEAR-TO-DATE LOWS BY THE END OF JUNE



Source: Chicago Board Options Exchange, as of June 30, 2025. Past performance is not indicative of future results.

From a factor perspective, reflecting a broader risk-on sentiment, outperformers compared to the S&P 500 Index during June were Momentum, High-Beta,¹⁷ and growth, while Value and Low Volatility underperformed.

For the quarter ended June 30, factors that outperformed the S&P 500 Index were Growth and Momentum, while Value and Low Volatility trailed.

On June 30, *FactSet* reported that 110 S&P 500 companies have issued quarterly earnings-per-share (EPS) guidance for the second quarter. Of these companies, 59 have issued negative EPS guidance and 51 have issued positive EPS guidance. The number of companies issuing negative EPS guidance for the second quarter is above the 5-year average of 57 but below the 10-year average of 62. On the other hand, the number of companies issuing positive EPS guidance for the second quarter is above the 5-year average of 42 and above the 10-year average of 39.

17. Beta is a measure of a stock's volatility or risk compared to the overall market. It indicates how much a stock's price tends to move in relation to market movements. A beta of 1 means the stock's price tends to move with the market, while a beta greater than 1 suggests higher volatility, and a beta less than 1 suggests lower volatility.



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