



## MONTHLY MARKET REVIEW – August 2025

	Aug 2025	YTD	1-Year	3-Years	5-Years	10-Years
<b>U.S. Large Cap Equities</b> S&P 500	2.03%	10.79%	15.88%	19.54%	14.74%	14.60%
<b>U.S. Small Cap Equities</b> Russell 2000	7.14%	7.06%	8.17%	10.28%	10.13%	8.88%
<b>Energy Infrastructure Equities</b> Alerian U.S. Midstream	-0.95%	3.26%	19.33%	23.02%	31.89%	10.36%
<b>U.S. Real Estate Equities</b> Dow Jones U.S. Select REIT	4.66%	3.31%	-0.25%	5.37%	8.51%	5.89%
<b>Global Equities</b> MSCI All Country World Index	2.47%	14.30%	15.79%	17.66%	12.00%	11.10%
<b>Int'l Developed Equities</b> MSCI EAFE	4.26%	22.79%	13.87%	17.04%	10.15%	7.40%
<b>Emerging Market Equities</b> MSCI Emerging Markets	1.28%	19.02%	16.80%	10.82%	5.21%	6.92%
<b>U.S. Taxable Fixed Income</b> Bloomberg U.S. Aggregate	1.20%	4.99%	3.14%	3.02%	-0.68%	1.80%
<b>U.S. Tax-Exempt Fixed Income</b> Bloomberg Municipal Aggregate	0.87%	0.32%	0.08%	2.59%	0.40%	2.18%
<b>High Yield Fixed Income</b> Bloomberg U.S. Corp High Yield	1.25%	6.35%	8.26%	9.30%	5.16%	5.80%
<b>Floating Rate Loans</b> Morningstar LSTA U.S. Loan	0.45%	4.17%	7.30%	8.86%	7.00%	5.36%
<b>Collateralized Loan Obligations</b> JP Morgan Collateralized Loan Index	0.51%	3.99%	6.62%	8.09%	5.46%	4.36%

- Returns were solid across the major asset categories in August, with the MSCI All-Country World Index up 2.5% and the Bloomberg U.S. Aggregate Bond Index gaining 1.2%.
- The favorable results were largely supported by second quarter earnings results, which saw corporate profits far exceeding muted analyst expectations.
  - U.S. large cap value gained 3.4%, outperforming growth stocks that gained 0.8%.
  - U.S. small caps rallied, gaining 7.1%, supported by rising expectations for near-term rate cuts following the Fed's reaction to weaker U.S. non-fam payrolls for July.
- Global developed market equities gained 4.3% in August, as trade negotiations continued with lower tariff extensions.
- Fixed income returns were positive across the board in August, a shift from recent months that have seen credit market returns mixed.
  - U.S. government bonds gained approximately 1%, while the spread between 2-year and 10-year U.S. Treasuries widened to 0.61%. Nominal yields (4.22%) - Inflation (3.05%) = Positive Real Yields (1.17%)
  - High yield bond yields finished the month lower at 6.8% with average default rate of 1.5%.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, CNBC, Bureau of Economic Analysis, Market Watch

Category	Comments
<b>Growth</b>	The U.S. economy grew 3.3% (annualized) in the second quarter: <ul style="list-style-type: none"> <li>Consumer spending increased 1.6%, while government spending decreased 0.2%.</li> <li>Tariff-related distortions to trade have modestly slowed momentum.</li> <li>The U.S. housing market remained challenged and falling inventories detracted.</li> </ul>
<b>Profits</b>	2Q25 Earnings (96% reporting): <ul style="list-style-type: none"> <li>Pro forma Earnings Per Share (EPS) of \$66.28; representing an increase of 10.5% y/y and 5.0% q/q.</li> <li>Driven by Sales growth (6.1%), Margins (5.2%), and Shares count (-0.8%).</li> <li>80% of companies have beaten estimates and earnings are 8.1% over consensus.</li> </ul>
<b>Jobs</b>	The July jobs report was much weaker than expected (August guidance is also weak): <ul style="list-style-type: none"> <li>The U.S. economy added 73,000 jobs with 258,000 jobs removed from May/June.</li> <li>The unemployment rate rose to 4.2% and wages rose 0.3% m/m &amp; 3.9% y/y.</li> </ul>
<b>Inflation</b>	July Personal Consumption Expenditures Index (PCE): <ul style="list-style-type: none"> <li>Headline PCE price index increased 0.2% m/m and held steady at 2.6% y/y.</li> <li>Core PCE price index increased 0.3% m/m and increased to 2.9%, y/y.</li> <li>Tariff impacts have thus far been muted, but core goods prices are increasing.</li> </ul>
<b>Interest Rates</b>	The FOMC policy rate was unchanged in July; range of 4.25%-4.50%: <ul style="list-style-type: none"> <li>The Fed's comments in Jackson Hole were more Dovish, stemming from indications of labor market weakness; base case for 0.25% rate cut in September.</li> <li>FOMC year-end estimate of 3.90%; market expectation is lower at 3.81%.</li> </ul>

## CANADA:

- The U.S. dollar index (DXY) **decreased** 2.2% in August (see chart below). The U.S. dollar **weakened** 4.3% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.37**.



- The Bank of Canada policy interest rate was unchanged at 2.75% when the committee met in July.
- Inflation **decreased**, with the **CPI** lower by 0.2% to end the month at 1.7%.
  - Core CPI**, referred to as "CPI-trim," remained steady at 3.0%.
- Canada's resilience to the 35% U.S.-imposed tariffs seems to have wavered.
  - Second-quarter annualized GDP contracted by 1.6%; Bank of Canada is expected to cut interest rates by 0.25% in September.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, CNBC, Bureau of Economic Analysis, Market Watch

## OIL:

- **The price of crude oil was \$63.96 per barrel (WTI).**
- Oil prices **decreased** \$3.37 per barrel, or 5.0%, in August.
- The monthly price decline was attributable to excess U.S. inventory, a signal of slower immediate demand. Simultaneously, OPEC+ is expected to increase output, which will further saturate supply.
- **Oil is forecasted to trade between \$55 and \$70 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	\$66.87	\$78.71	\$57.13	-10%
2024	\$75.83	\$87.01	\$66.37	1%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

## COPPER:

- **The price of copper was \$4.59 USD per pound.**
- Copper prices **increased** \$0.15 per pound, or 3.4%, in August.
- Copper prices rose following the announcement of new government regulations imposed in China aimed to curb overcapacity. The unwinding of warrants/metal that was shipped to the U.S. to undercut the imposition of taxes is expected to impact prices.
- **Copper is forecasted to trade between \$4.50 and \$4.75 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	\$4.75	\$5.82	\$4.03	14%
2024	\$4.23	\$5.10	\$3.68	3%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

## ALUMINUM:

- **The price of aluminum was \$2,620 USD per tonne.**
- Aluminum prices **increased** \$46.80 per tonne, or 1.8%, in August.
- The monthly price increase was attributable to Guinea Alumina, which lost its mining license, and the closure of South 32's plant in Mozambique. China is also nearing its annual 45 million ton cap, which will contribute to near-term supply shortages.
- **Aluminum is forecasted to trade between \$2,560 USD/tonne and \$2,700 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	\$2,563	\$2,729	\$2,340	3%
2024	\$2,458	\$2,768	\$2,159	7%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, CNBC, Bureau of Economic Analysis, Market Watch

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**MARKET UPDATE**

August 31, 2025

By Thomas Grugan, Director & Senior Investment Strategist

**High Level Summary**

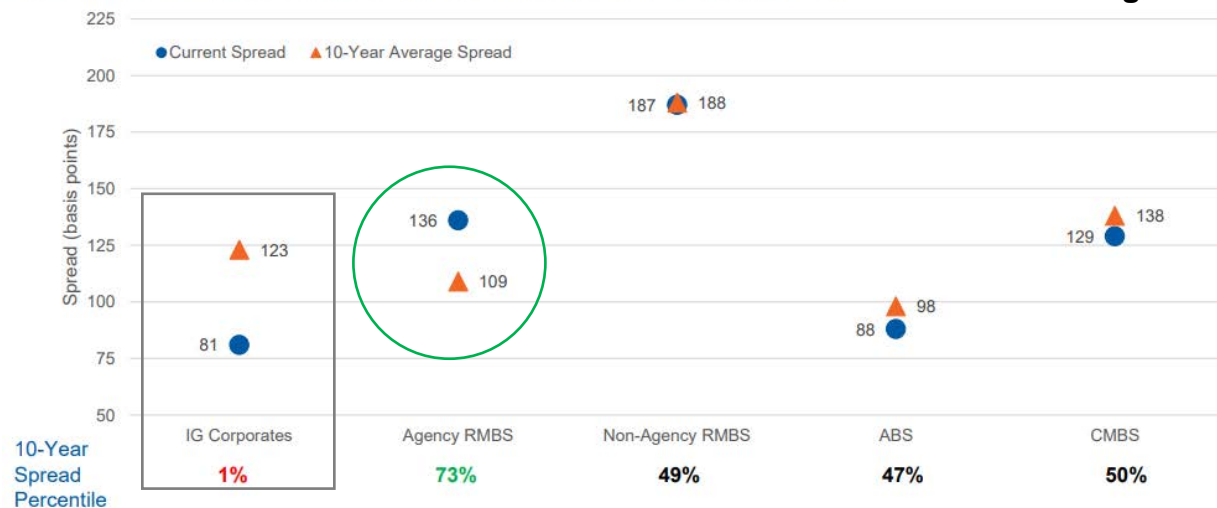
Global equity markets continued to move higher in August, with the S&P 500 Index setting a new all-time high of 6,501 on August 28<sup>th</sup>. U.S. fixed income returns deviated from recent muted/negative returns and were broadly positive for the month.

Equity gains were supported by favorable second-quarter earnings results, which more than offset non-farm July payrolls that reinforced earlier indications of a softening U.S. labor market. U.S. value outperformed growth, but the tech-heavy S&P 500 Growth Index continued to outperform value by nearly 600 basis points on a year-to-date basis. U.S. small cap stocks were the best performing asset class, gaining over 7% for the month, following the Fed’s comments about a potentially lower trajectory for U.S. interest rates.

In fixed income markets, investment grade credit spreads tightened further, with lower yields corresponding to higher prices and positive total returns (see Figure 1). U.S. Treasuries gained roughly 1%, and the U.S. yield curve steepened as the market began to price in a higher likelihood of a September Fed rate cut. Consensus-beating earnings results strengthened demand for high yield credit, while Collateralized Loan Obligations saw another record month of inflows for both investment grade and lower-rated issues.

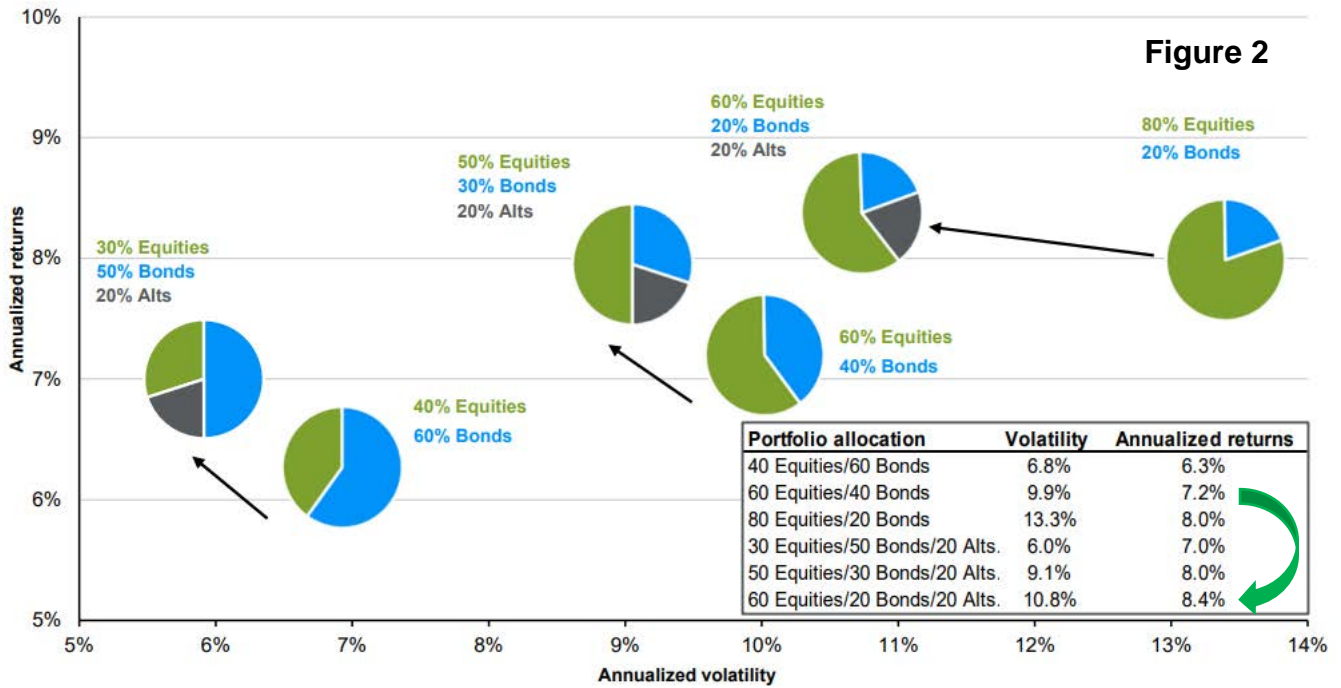
**Current Spreads, 10-Year Average & 10-Year Spread Percentile (as of 8/31/25)**

**Figure 1**



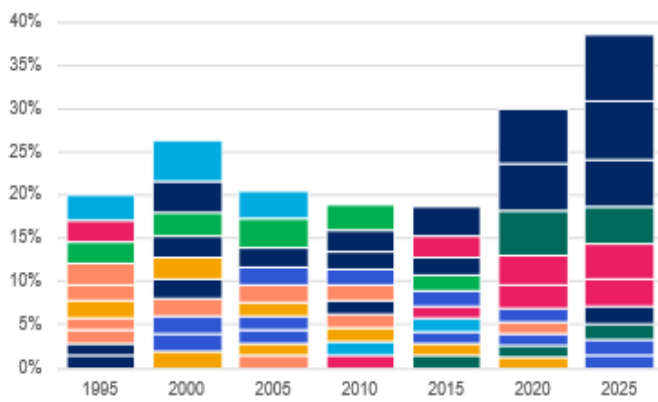
Private markets have also performed well, with strong investor demand and ample capacity for managers to deploy capital. Private investments, specifically more liquid open-ended “evergreen” funds, have demonstrated an ability to add value to client portfolios by providing (1) capital preservation, (2) consistent cash distributions, (3) inflation hedging, and (4) improved diversification.

In Figure 2 below, we show the historical benefits of incorporating private investments into traditional blended public investment portfolios: higher returns with lower volatility.



Increasing portfolio diversification is even more important as the U.S. equity market has become historically concentrated (Figure 3), while trading at near historically high valuations as measured by the S&P 500 Price/Earnings ratio.

**Top Ten Positions in the S&P 500** as a percentage of total index



**Top Ten Positions in the S&P 500**



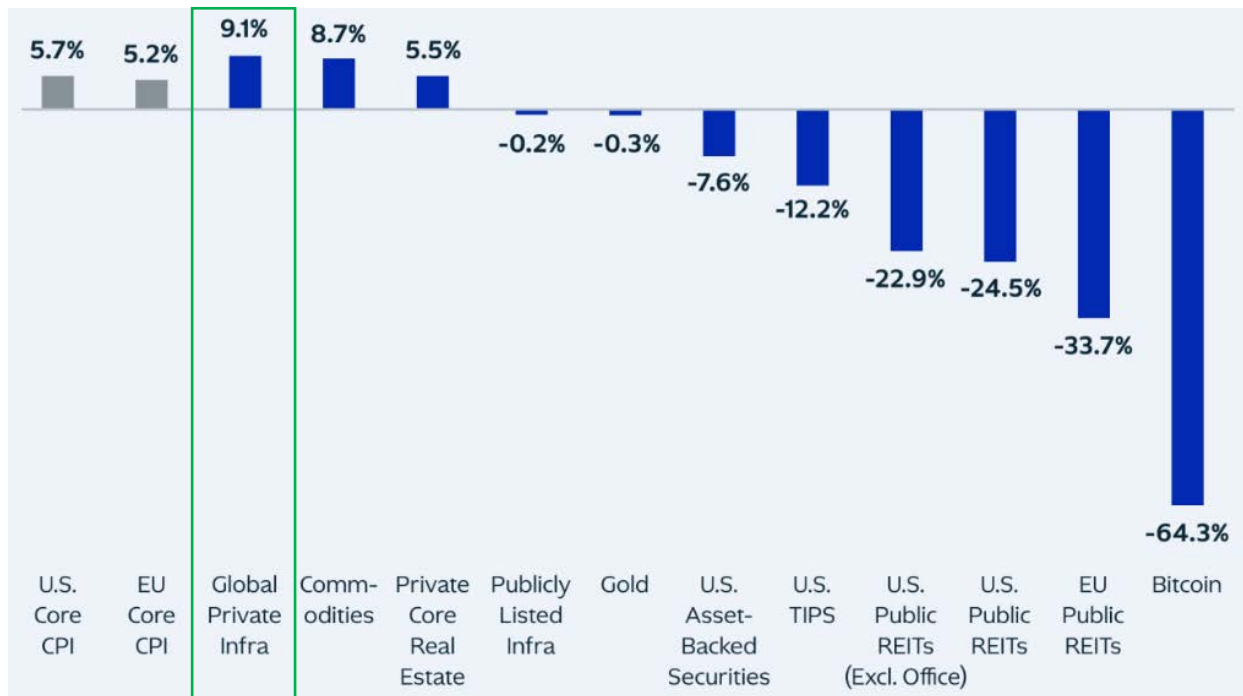
Even if you like the top ten stocks of today, you might wonder which ones will still be top-ten in five or ten years from now. History has shown that few great companies remain great forever (Figure 4). The persistence of Microsoft’s software franchise is the only exception over the last thirty years. Apple, Amazon, Berkshire and Meta have had good 15–20-year runs. But Cisco, IBM, and GE were three “great” companies that faded as technology and markets changed faster than they could evolve.

Against a backdrop of higher valuations and concentrations within U.S. equity indexes (Figure 3), and tighter spreads in corporate credit markets, we believe the current environment is highly supportive for shifting capital from public to private markets.

One area of particular interest is Private Infrastructure.

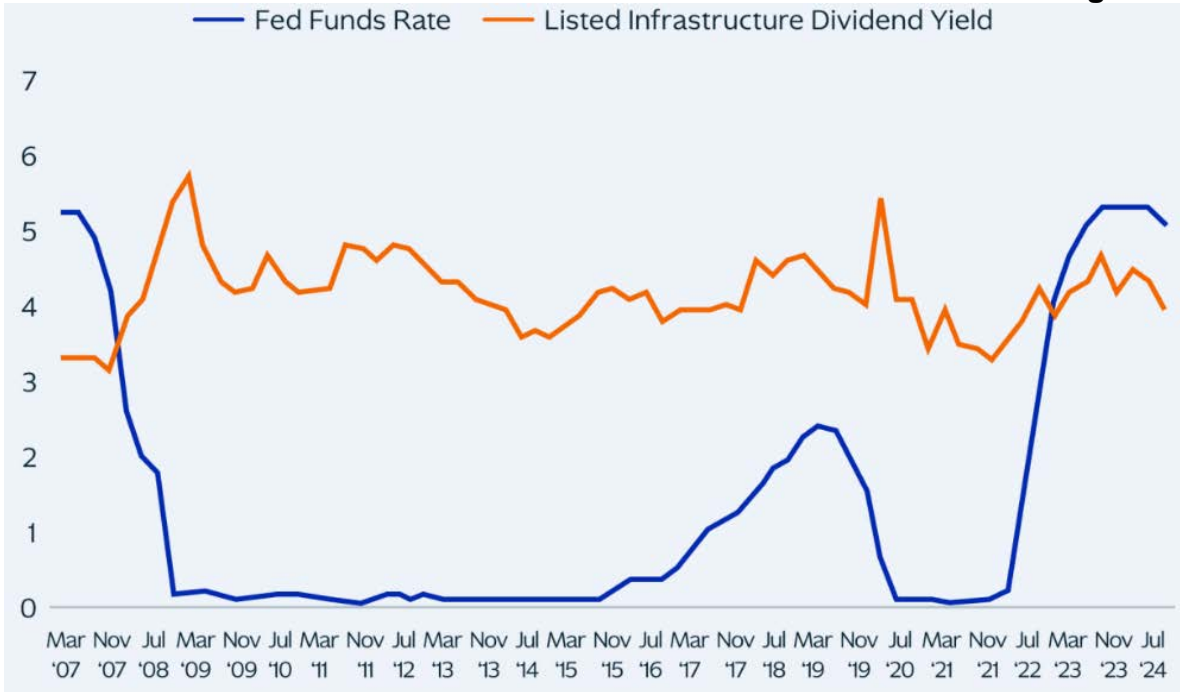
Private Infrastructure has come into favor over the past decade, especially following its outperformance during severely negative public equity market periods, including 2020, 2022 and February-April 2025. The category's inherent resilience to inflation, coupled with the "essential nature" of the underlying assets, has produced strong total and relative returns, which we demonstrate below for the year ending 2022 (Figure 5), after the Fed's rate hiking cycle. Core Infrastructure assets are mature, critical, capital-intensive, and have intrinsic value that limits demand destruction in recessionary periods. They also perform well in inflationary periods. The parallel relationship between the value of hard assets and price movement provides the critical inflation-hedging factor.

Figure 5



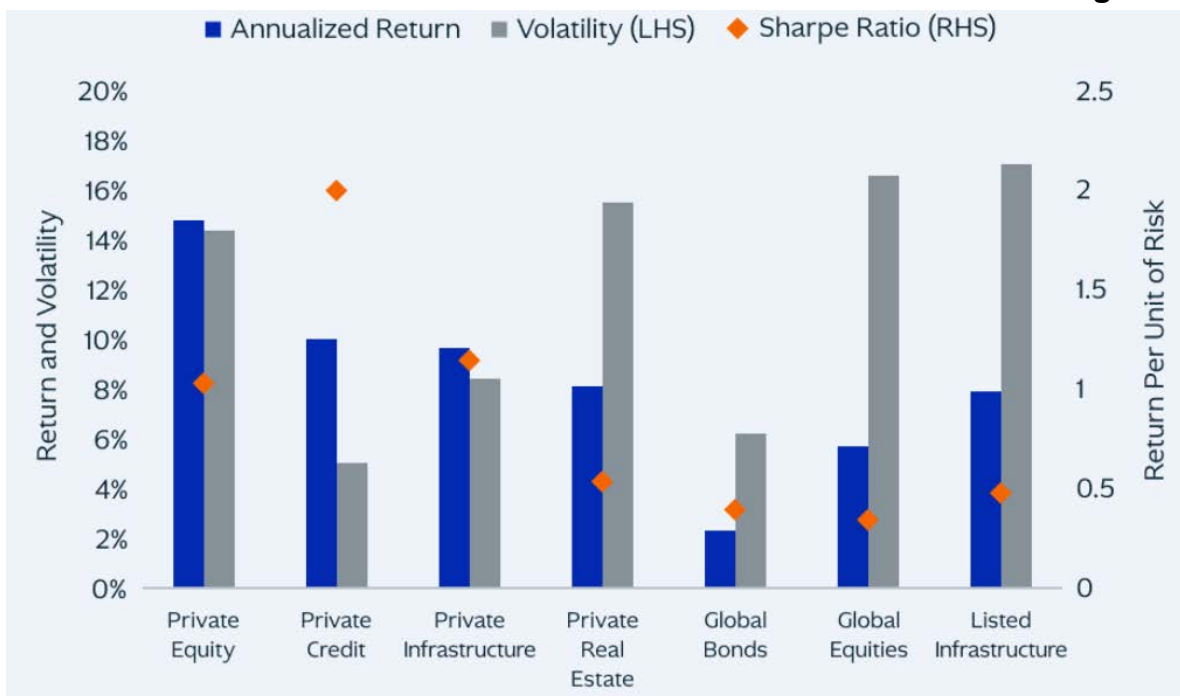
While Core Infrastructure typically benefits during periods of higher inflation, it can also add value in lower rate environments. Lower interest rates, a likely scenario in the U.S. over the next 15 months, are historically favorable for equity investors, as valuations tend to rise. Lower borrowing costs are simultaneously supportive of new construction projects, and the consistent cash flow provided by infrastructure projects often leads to attractive cash yield even during periods of monetary easing (see Figure 6).

Figure 6



Private Infrastructure may also be appealing to more risk averse investors, specifically those who may be sensitive to principal loss during periods of turbulence and dislocation. Core infrastructure assets are essential to the economy and often have strong local market share, demonstrating lower volatility relative to other public investment categories. Core Infrastructure has demonstrated near-countercyclical performance and the ability to insulate investment portfolios from market shocks (see Figure 7).

Figure 7





Infrastructure can be accessed in several formats, across both public and private markets, but we see the best opportunities in open-ended private offerings.

In the private infrastructure world, capital can be deployed into equity or debt offerings, and while this letter has primarily focused on the former, investors might also consider infrastructure debt. This specialized investment category focuses on senior, floating rate loans to developed market infrastructure projects at the operating level. Private infrastructure debt is typically secured by a first lien on project assets, and most often with a 30-50% equity cushion beneath the loan. Managers are cognizant of the credit quality of the loans, and their terms (i.e., years to maturity), and target net fund returns typically range from 10-12%.

## Tactical Positioning

With equity markets trading at all-time highs and major U.S. indexes at record-concentration levels, we advocate caution to investors and suggest they focus on higher quality businesses with strong balance sheets. We remain concerned about the uncertainty surrounding U.S. fiscal and monetary policy and softening of the U.S. labor market. Adding stabilizing portfolio diversifiers, like private equity for small-cap equity exposure and real assets like infrastructure, has helped to protect portfolios in past cycles.

Public fixed income may offer some value to investors, as fixed income returns are typically positive when interest rates decline, but we see better opportunities in private investment categories such as private credit and infrastructure debt.

Overall Position	UW	N	OW	Change	Notes
<b>Equity</b>		●	●	Δ	Neutral or Overweight
<b>Fixed Income &amp; Credit</b>		●			
<b>Alternatives</b>			●		
<b>Cash</b>		●			
<b>U.S. Equity</b>		●	●	Δ	Neutral or Overweight
<i>Value</i>		●			Balanced; Growth and Value
<i>Growth</i>		●			
<i>Size</i>			●		Overweight Large Cap
▪ Quality			●		
▪ Momentum		●			Gained through Large Cap
<b>International Equity</b>	●	●		Δ	Underweight or Neutral
<b>Private Equity</b>			●		
<b>Duration</b>	●				Barbell; Buyer on 10-Year over 4.8%
<b>IG Fixed Income (AGG)</b>		●			Short Duration
▪ USD	●				
▪ Global			●		
<b>High Yield Credit</b>		●			Short Duration; Buyer on Spread Widening
<b>Private Credit</b>		●			Up in Quality
<b>Public Real Estate (REITS)</b>	●				
<b>Private Core Real Estate</b>			●		
<b>Infrastructure</b>			●	Δ	
<i>Transportation</i>			●		
<i>Hedge Funds</i>			●		

Sources: eVestment, Morgan Stanley, KKR, Y-Charts, CME Group, CNBC, Bloomberg, Federal Reserve Board, JP Morgan, KKR

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