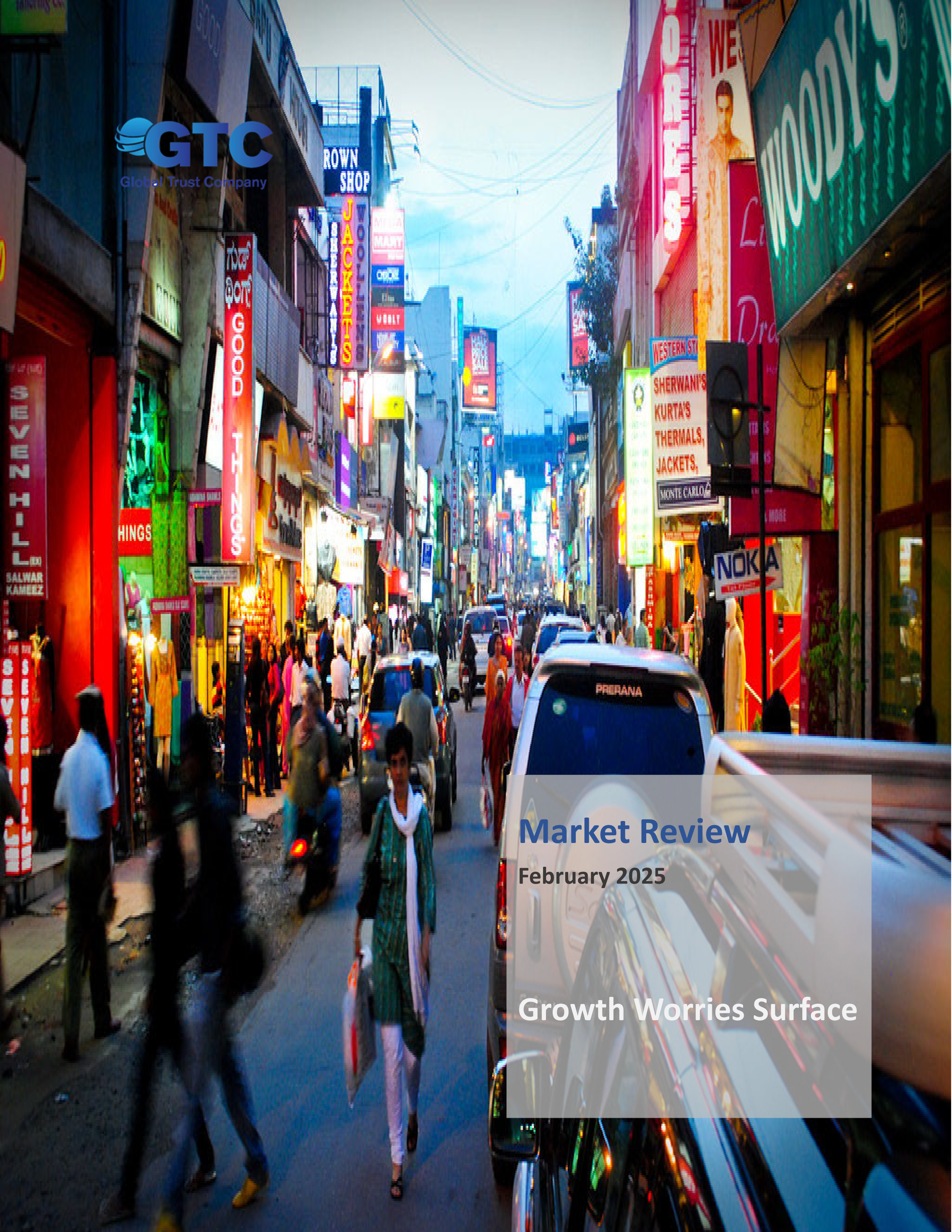



Global Trust Company

# Market Review

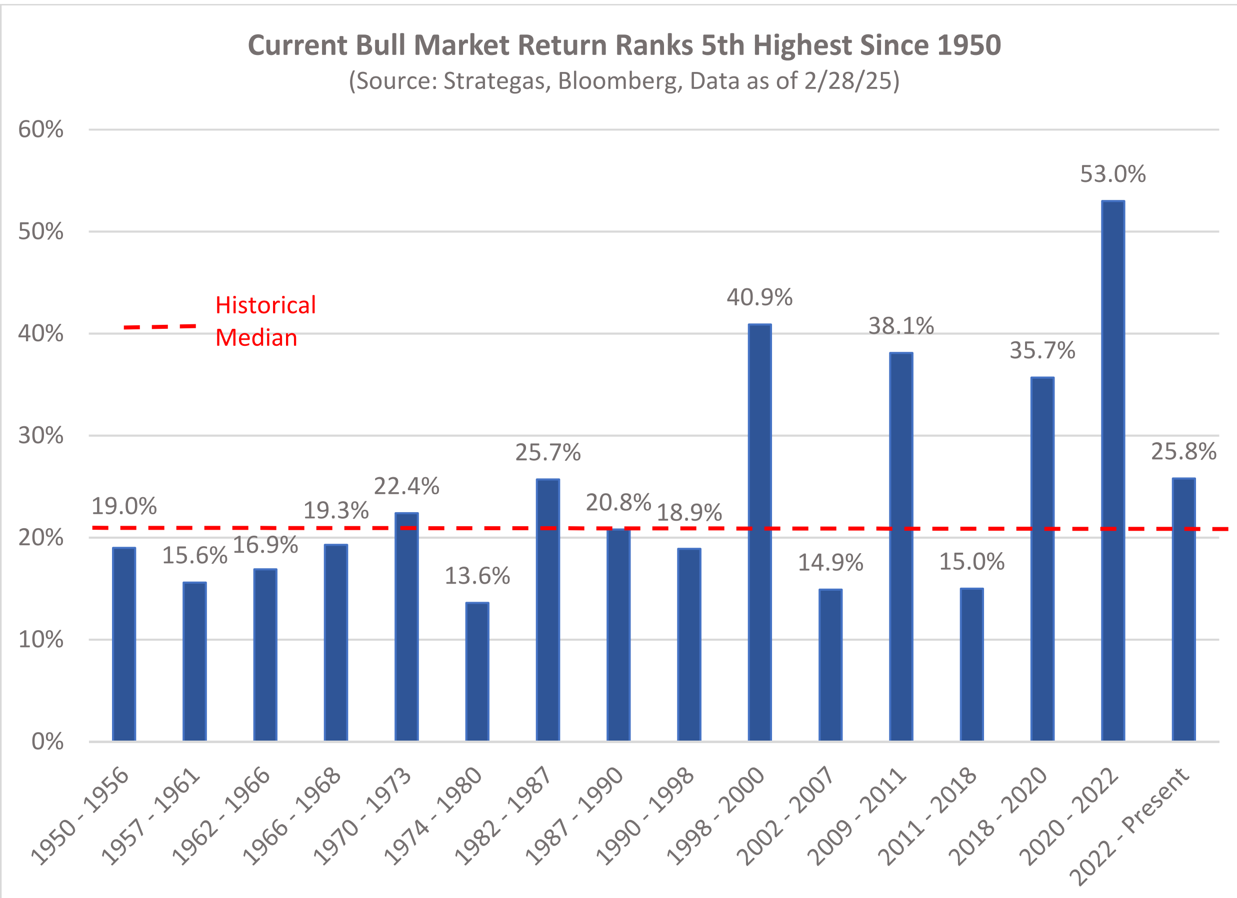
February 2025

## Growth Worries Surface

## Growth Worries Surface

U.S. equities declined in February amid post-inauguration volatility, economic growth concerns, and geopolitical tensions, while European and Asian markets performed better; bond yields fell due to policy uncertainty, and real assets saw rising inflation concerns with commodities gaining and REITs outperforming.

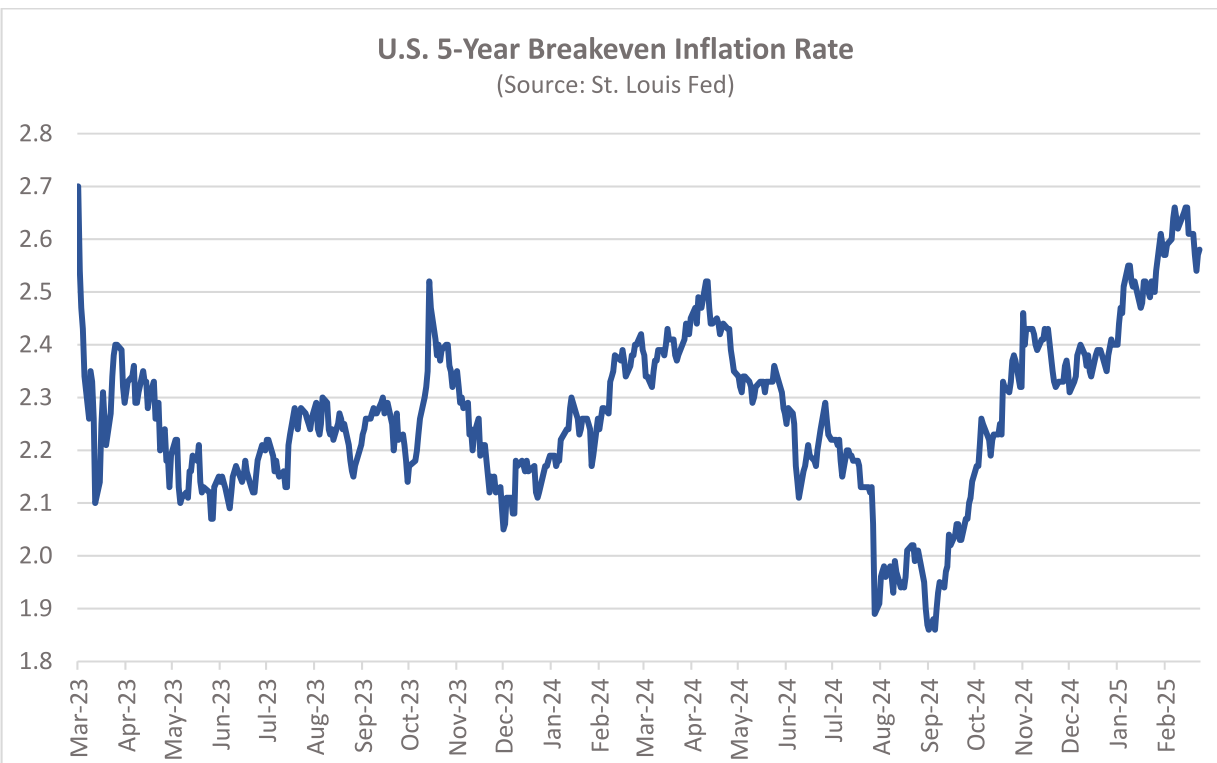
**Equities:** U.S. markets are experiencing typical post-inauguration volatility while also facing the challenges common in the third year of a bull market. Moreover, as the month progressed, concerns over economic growth and geopolitical tensions took center stage. Against this backdrop, all the major U.S. equity indices declined in February. Market downturns are rare when operating margins expand, but the current stall in margin growth could suggest more muted equity returns ahead.




Globally, European equities were once again the top performer as investors increasingly factored in the likelihood of a ceasefire in Ukraine. Asian shares rose 1.1% during the month, driven by Chinese equities. Excitement about the implications of DeepSeek continue to support the broader Chinese technology sector. Japan was the month's worst performer, with the TOPIX declining -3.8%.

**Fixed Income:** Bond markets had an interesting month. Early in the month, Treasury yields increased following the release of hotter than expected CPI data. However, this was outweighed by market participants' concerns about the Trump administrations policies on growth, which drove yields significantly lower. The 10-year Treasury yield ended the month 33 basis points (bps) lower at 4.21%, while the 30-year yield fell by 30 bps to 4.49%. Investment-grade corporate bonds underperformed Treasuries, with credit spreads widening. The utility sector was hit hardest, with spreads widening amid ongoing concerns about California wildfires. Industrial and financial sectors also saw some weakness, as uncertainty over trade policies and potential economic slowing weighed on sentiment. On the securitized side, agency RMBS was the standout performer, outperforming Treasuries as investors sought alternatives to corporate credit. Meanwhile, CMBS and ABS slightly lagged behind Treasuries, weighed down by new issuance and sector-specific risks. We believe the Fed remains in a rate cut cycle, but with a pause until July.

**Real Assets:** 5-year breakeven inflation rates touched their highest level in two years during the month, suggesting inflation concerns are once again climbing. Rising U.S. natural gas prices from cold weather and supply shortages helped offset golds decline, with commodities broadly rising during the month. Unlevered U.S commercial property prices were unchanged for a second month and have increased 4.5% over the last year. Public REITs performed well, outperforming the broader market, due to a number of factors including falling interest rates, a strong REIT earnings season, and concerns about tech valuations.



**Diversifying Strategies:** The directional Equity Hedged strategies declined in February, led by drops in growth and technology equities. The uncorrelated Macro strategies also fell during the month as interest rates declined. These were partially offset by broad gains from Relative Value and Event Driven strategies. The HFRI Relative Value (Total Index) posted a positive return for the 16th consecutive month, underscoring the strength of credit multi-strategies and traditional convertible arbitrage.

Two important events related to private markets also happened during the month. First, Morningstar introduced the Morningstar Pitchbook Buyout Replication Index aiming to imitate returns from private equity buyout funds with publicly traded stocks. Two, Blackrock completed their acquisition of Preqin, a private markets data provider. The divide between private capital and liquid assets is fading, shifting toward a continuum of risk, return, and liquidity. Investors are increasingly ignoring outdated frameworks and prioritizing portfolios that align with their needs rather than distinguishing between public and private markets.

In summary, after a series of 3% growth quarters last year, the U.S. economy now appears to be slowing. What this means for capital markets will be determined in the coming weeks and months. While a soft landing remains our base case, recession risks for 2025 have increased off low levels. The overall impact on growth and inflation will depend on the balance of monetary, fiscal, trade, and regulatory policies, but economic disruptions seem to be taking effect before supportive measures like deregulation and tax cuts can offset them.

### Exhibit 1: Asset Class Returns (2016 – YTD 2025)

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | YTD |
|---|---|---|---|---|---|---|---|---|---|
| PE – Buyout<br>19.5% | Intl Equity<br>27.2% | IG Bonds<br>0.0% | US Equity<br>31.5% | PE –Buyout<br>28.1% | PE – Buyout<br>30.7% | Cmdty<br>16.1% | US Equity<br>26.3% | US Equity<br>25.0% | Intl Equity<br>5.5% |
| High Yield<br>17.1% | US Equity<br>21.8% | High Yield<br>-2.1% | PE – Buyout<br>29.6% | US Equity<br>18.4% | US Equity<br>28.7% | Diversifying<br>-1.7% | PE – Buyout<br>22.6% | 60/40<br>15.5% | Cmdty<br>4.8% |
| US Equity<br>12.0% | PE - Buyout<br>19.0% | 60/40<br>-2.6% | REITs<br>23.1% | 60/40<br>14.0% | REITs<br>27.2% | High Yield<br>-11.2% | 60/40<br>18.0% | PE – Buyout<br>11.5% | REITs<br>4.1% |
| Cmdty<br>11.8% | 60/40<br>14.5% | US Equity<br>-4.4% | 60/40<br>22.4% | Intl Equity<br>10.7% | Cmdty<br>27.1% | IG Bonds<br>-13.0% | Intl Equity<br>15.6% | Diversifying<br>9.8% | 60/40<br>1.9% |
| 60/40<br>8.3% | REITs<br>11.4% | PE – Buyout<br>-4.7% | Intl Equity<br>21.5% | Diversifying<br>8.4% | 60/40<br>16.6% | PE – Buyout<br>-15.5% | High Yield<br>13.5% | High Yield<br>8.2% | US Equity<br>1.4% |
| REITs<br>5.0% | Diversifying<br>7.5% | Diversifying<br>-4.7% | High Yield<br>14.3% | IG Bonds<br>7.5% | Diversifying<br>9.8% | Intl Equity<br>-16.0% | REITs<br>10.9% | Intl Equity<br>5.5% | IG Bonds<br>2.7% |
| Diversifying<br>4.8% | High Yield<br>7.5% | REITs<br>-4.7%% | Diversifying<br>8.9% | High Yield<br>7.1% | Intl Equity<br>7.8% | 60/40<br>-16.1% | Diversifying<br>7.4% | Cmdty<br>5.4% | High Yield<br>2.1% |
| Intl Equity<br>4.5% | IG Bonds<br>3.5% | Cmdty<br>-11.3% | IG Bonds<br>8.7% | Cmdty<br>-3.1% | High Yield<br>5.3% | US Equity<br>-18.1% | IG Bonds<br>5.5% | REITs<br>2.0% | Diversifying<br>0.6% |
| IG Bonds<br>2.7% | Cmdty<br>1.7% | Intl Equity<br>-14.2% | Cmdty<br>7.7% | REITs<br>-8.2% | IG Bonds<br>-1.5% | REITs<br>-24.4% | Cmdty<br>-7.9% | IG Bonds<br>1.3% | PE – Buyout<br>-4.5% |

Source: IG Bonds = Bloomberg US Aggregate; US Equity = S&P500; Intl Equity = MSCI ACWI xUS; High Yield = Bloomberg US Corporate High Yield; REITs = FTSE EPRA/NAREIT Developed; Cmdty = Bloomberg Commodity; Diversifying = HFN Hedge Fund Aggregate; PE-Buyout = Morningstar Pitchbook Buyout Replication Index; 60/40 = 60%S&P500/40%Bloomberg US Aggregate

## Disclosure

This newsletter is limited to the dissemination of general information pertaining to Global Trust Company's Trustee Services. As such nothing herein should be construed as the provision of personalized investment advice. The information contained herein is based upon certain assumptions, theories and principles that do not completely or accurately reflect your specific circumstances. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any fund. Adhering to the assumptions, theories and principles serving the basis for the information contained herein should not be interpreted to provide a guarantee of future performance or a guarantee of achieving overall financial objectives. As investment returns, inflation, taxes and other economic conditions vary, the funds actual results may vary significantly. Furthermore, this newsletter contains certain forward-looking statements that indicate future possibilities. Due to known and unknown risks, other uncertainties and factors, actual results may differ materially from the expectations portrayed in such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of a specific date. As such, there is no guarantee that the views and opinions expressed in this article will come to pass. This newsletter should not be construed to limit or otherwise restrict Global Trust Company's investment decisions.

This newsletter contains information derived from third party sources. Although we believe these third-party sources to be reliable, we make no representations as to the accuracy or completeness of any information prepared by any unaffiliated third party incorporated herein, and take no responsibility therefore. Some portions of this newsletter include the use of charts or graphs. These are intended as visual aids only, and in no way should any client or prospective client interpret these visual aids as a method by which investment decisions should be made. We have provided performance results of certain market indices for illustrative purposes only as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. It should not be assumed that the fund's performance will correspond directly to any benchmark index. A description of each index is available from us upon request.