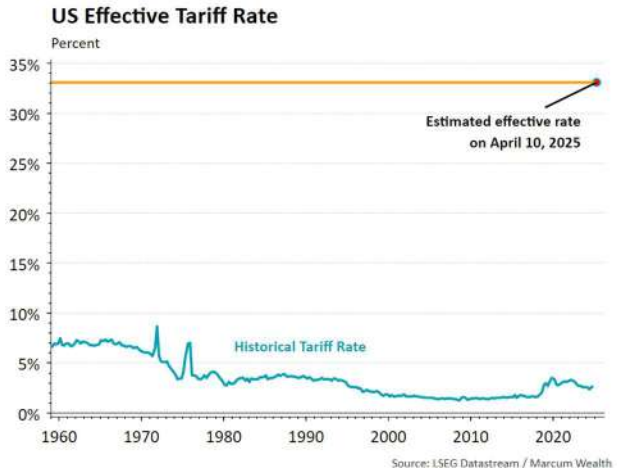
MARCUM WEALTH

Strategy Newsletter – 2nd Quarter 2025

- Tariffs are the focus while the labor market data deserves attention.
- International stocks turn the corner.
- Bonds provide ballast as more interest rate cuts get priced into markets.
- Housing supply begins to rise while affordability remains a challenge.

Economy

For the last 50 years, the US tariff rate has been under 5%. As of April, for the first time in over 100 years, the estimated tariff rate is above 30%.



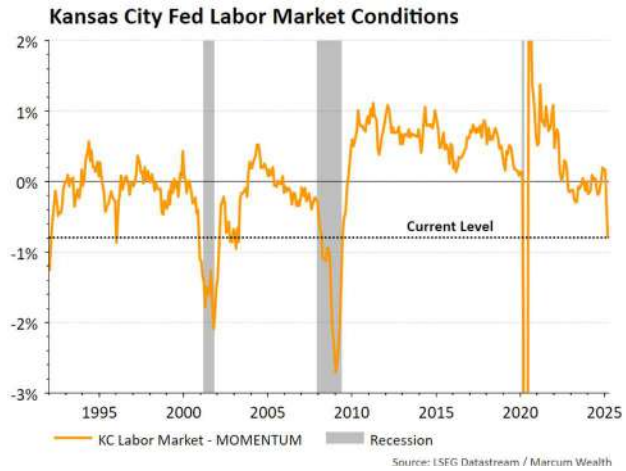
The glass half full version goes like this – not all tariffs have not been put in place, only announced. Lower and later seem to be the theme; tariffs end up lower than expected and are pushed out later in time. The Liberation Day announcement of tariffs on April 2nd was the exception. This was the opening bid by President Trump. Since then, negotiations have led in the direction of the policy goals of lower foreign tariff rates and less non-trade barriers.

The glass half empty version is that tariffs at these levels create a sudden stop for the economy. Supply chains get disrupted, and businesses cannot continue to operate in the same way. It is government policy induced rather than an external shock. This means it can be reversed, but it will take a U-turn in the approach by policymakers.

The U-turn starts with one hand at a time turning over the steering wheel. Negotiations with the UK, Japan, and Vietnam going positively may be the start of the turn. Excluding certain industries, as announced, continues down that path.

The unemployment rate ended the first quarter at 4.2%, lower than most of the time for the past 40 years. Though it has been rising the past two years.

The Kansas City Fed looks at 24 labor market indicators to gauge the job market. One output is the momentum of the jobs market. The largest factor that drove down this indicator was the percent of firms that are planning to increase employment, which fell in March as economic uncertainty began to rise.



Equity

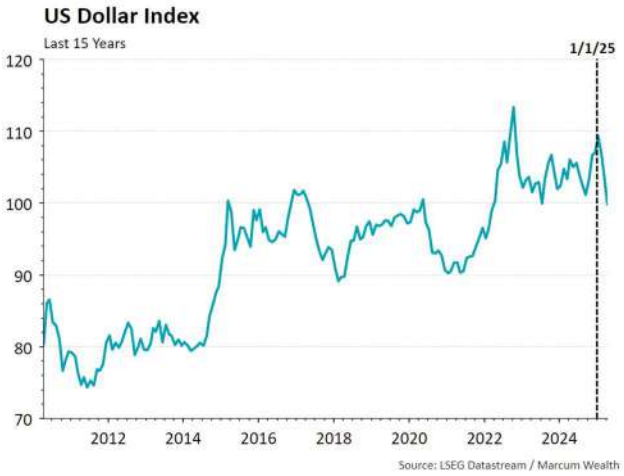
Value stocks beat growth in the first quarter. International markets were the big winner as both local share prices and a falling dollar provided tailwinds for US investors.

U.S. Equity	1Q 2025
Large Cap Stock	
S&P 500	-4.3%
Small & Mid Cap Stock	
S&P 400 Mid Cap	-6.2%
S&P 600 Small Cap	-8.7%
All Cap Style Indices	
S&P 1500 Value	-0.2%
S&P 1500 Growth	8.5%
International Equity	**1Q 2025**
MSCI EAFE	7.0%
MSCI EAFE Value	11.8%
MSCI EAFE Growth	2.2%
MSCI Emerging Markets (EM)	3.0%
MSCI EM Value	4.4%
MSCI EM Growth	1.7%

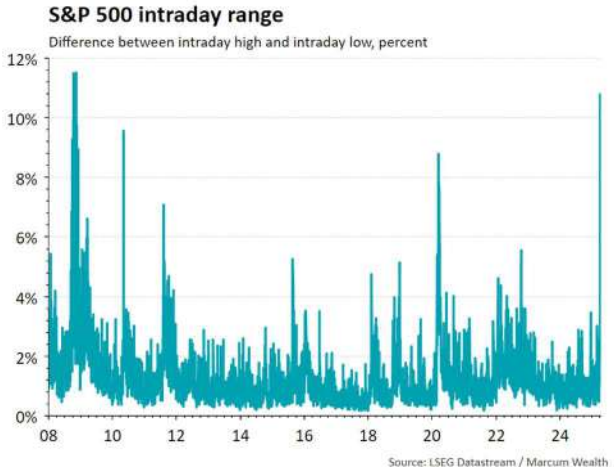
Despite being the target of the first round of tariffs, both the Canadian and Mexican equity markets beat out the S&P 500 Index during the first quarter. The German DAX and UK FTSE Index hit all-time highs in March.



In an indirect way, the new policy goal for the administration is a weaker dollar. This would help domestic exporters on the sales side. Markets are listening as the dollar fell against a broad basket of foreign currencies during the quarter. This comes after its rise over the past 15 years.



The volatility of stocks in April matched the levels seen only in 2008, 2011, and 2020. The high low range reached over 10% as shown in the chart below.



The good news it that periods of uncertainty often breed opportunity for long-term investors. We have seen the valuations across large, mid, and small cap equities come down sharply over the past month as hedge fund strategies became forced sellers.

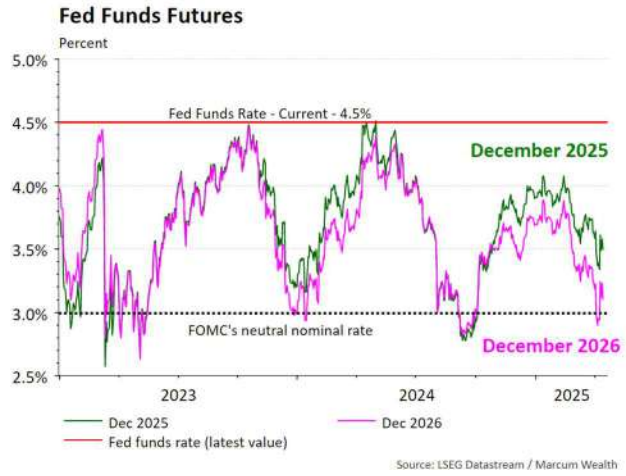
Equities within the Marcum Wealth Asset Allocation Frameworks are equal weight relative to the long-term strategic targets after being under weight.

Fixed Income

The 10-year Treasury yield fell during the first quarter from 4.57% to 4.21% at the end of March. Yields started the second quarter with sharp moves up and down due to the capital markets volatility.

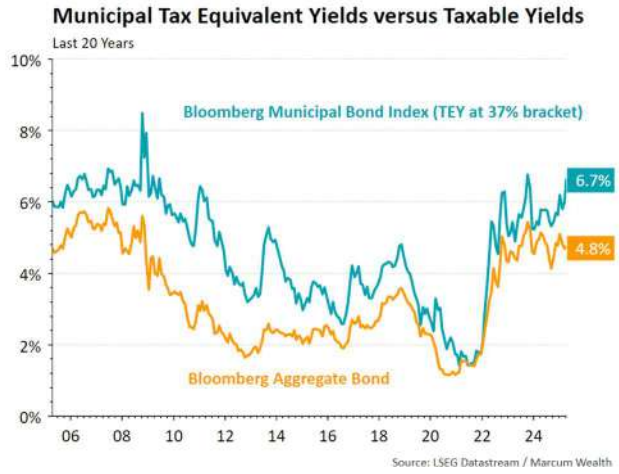
Fixed Income	1Q 2025
Bloomberg U.S. Aggregate Bond	2.9%
Bloomberg Corporate Inv. Grade	2.4%
Bloomberg High Yield Bond	1.1%
Bloomberg Global ex. U.S. Treas.	3.4%
Bloomberg Municipal Bond	-0.2%
Bloomberg TIPS	5.8%

Interest rate traders have had a difficult time pricing how the Fed will respond to tariffs. Coming into the year, just two interest rate cuts were priced in for 2025. Now, bond markets see four cuts starting at the June meeting. About two more cuts are priced for 2026. This would bring the fed funds rate near the long-term projected neutral rate. Current Federal Reserve Chairman Jerome Powell's term is up in mid-2026, so attention is turning towards who is successor will be.

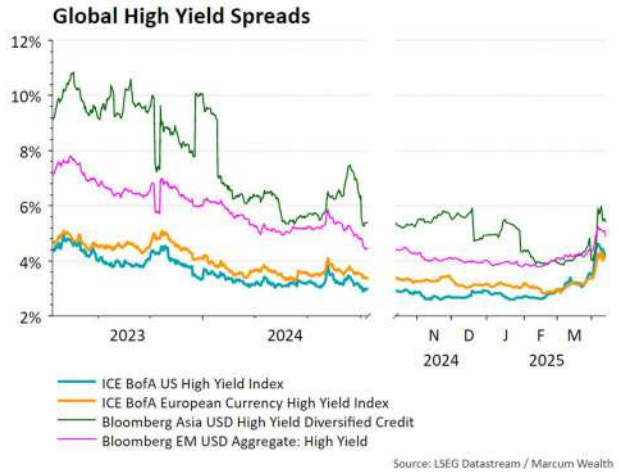


Municipal bonds struggled in the first quarter. There were conversations around the possiblity of municipal interest having its tax treatment changed with the upcoming tax bill. Our asset managers speciliazing in municpals all felt that the risk of a change to bonds that were already issued is low.

Less liquidity during selloffs is par for the course, even for munis. The taxable equivalent yield in April reached near the highest levels seen over the past 15 years, a nice pickup compard to taxable bonds.



High yield spreads trended down over the past two years. In the April selloff, spreads were up but not that much compared to major selloffs in the past. It is interesting to note that unlike high yield in the US and Europe, the spreads for emerging markets and Asia did not get past the widest levels of 2024.



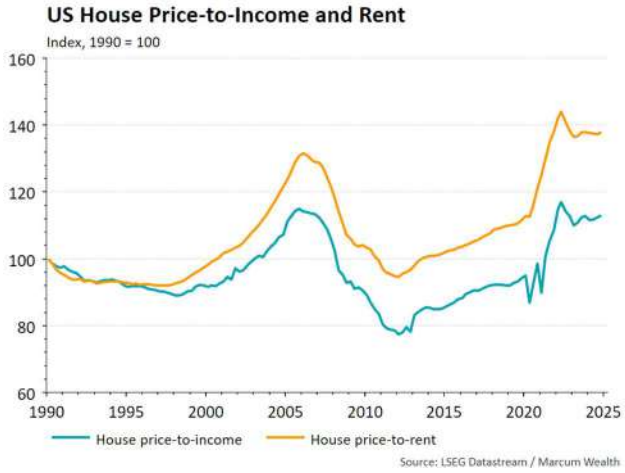
The Marcum Wealth Asset Allocation Frameworks hold fixed income at equal weight to the strategic targets.

Real Estate

REITs were a bright spot in the first quarter as defensive sectors outperformed the broad market.

Real Estate	1Q 2025
Wilshire U.S. REIT	1.0%
Wilshire Int'l REIT	1.9%

Compared to incomes and rents, we remain in an expensive housing market. The good news is that households have a lot of home equity built up. The bad news is that high mortgage rates are not coming down fast enough. Incomes need to grow much faster over the next few years to make housing affordable. The supply of homes available for sale are slowly climbing, albeit from a low levels.



The Marcum Wealth Asset Allocation Frameworks are now underweight REITs.

Closing Thoughts

Like trends in fashion, the leading trends in investing change over time. Portfolios with diversification across major asset classes may have many bright spots in 2025. Bonds are positive on the year. International equities are up. US stocks struggled so far this year, after carrying the weight for the past five and ten-year periods. We could be seeing the early stages of a more long-lasting rotation. The US is retrenching on its fiscal side, Europe and Asia are picking up the slack. Owning multiple types of assets, across the globe, with thoughtful portfolio construction may be back in style.

Marcum Wealth Asset Allocation Frameworks

	Income	Conservative	Balanced	Moderate	Growth
Asset Class	Strategic	Strategic	Strategic	Strategic	Strategic
Equity	**20%**	**35%**	**50%**	**65%**	**80%**
U.S. Equity	12%	21%	30%	39%	48%
International Equity	6%	11%	15%	20%	24%
Emerging Markets Equity	2%	4%	5%	7%	8%
Fixed Income	**77%**	**62%**	**47%**	**32%**	**17%**
US Fixed Income	69%	56%	42%	29%	15%
Global Bonds	8%	6%	5%	3%	2%
Real Estate / REITs	**3%**	**3%**	**3%**	**3%**	**3%**

The risk designations are relative only to the five Strategic Allocation targets and do not represent comparisons with any other investment or risk of the overall strategies.

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