WWM INVESTMENTS LLC

Q2 2025 Market Outlook & Commentary

This comprehensive analysis examines the market landscape for Q2 2025, highlighting economic resilience amid transitions in trade dynamics and monetary policy. While acknowledging short-term volatility, we present a cautiously optimistic outlook based on healthy fundamentals, moderating inflation, and strategic investment opportunities across various sectors and regions.

Macro Overview: Economic Resilience

As we navigate Q2 2025, global markets continue adjusting to evolving trade dynamics and recalibrated monetary expectations. Despite headlines suggesting turbulence, the broader economic backdrop remains constructive. The U.S. economy demonstrates remarkable resilience, supported by healthy private balance sheets and a robust labor market.

Measured Tariff Impact

While tariff negotiations have introduced short-term uncertainty, long-term economic fundamentals remain intact, with businesses adapting supply chains accordingly.

Moderating Inflation

Inflation continues its gradual downward trajectory, providing the Federal Reserve flexibility to pursue cautious monetary easing without compromising price stability.

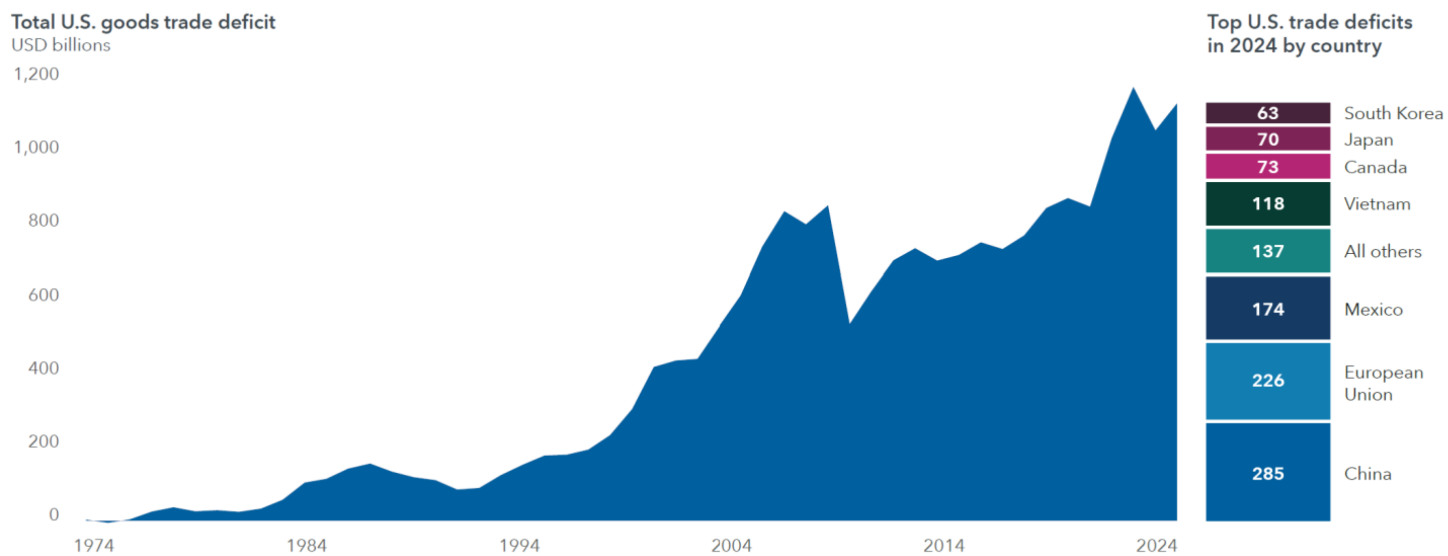
Market Repricing

Recent equity market adjustments have created renewed opportunities for diversified investors seeking value across multiple sectors and asset classes.

Policy Support

Policymakers remain actively engaged, with fiscal momentum building in both the U.S. and abroad, providing additional economic tailwinds.

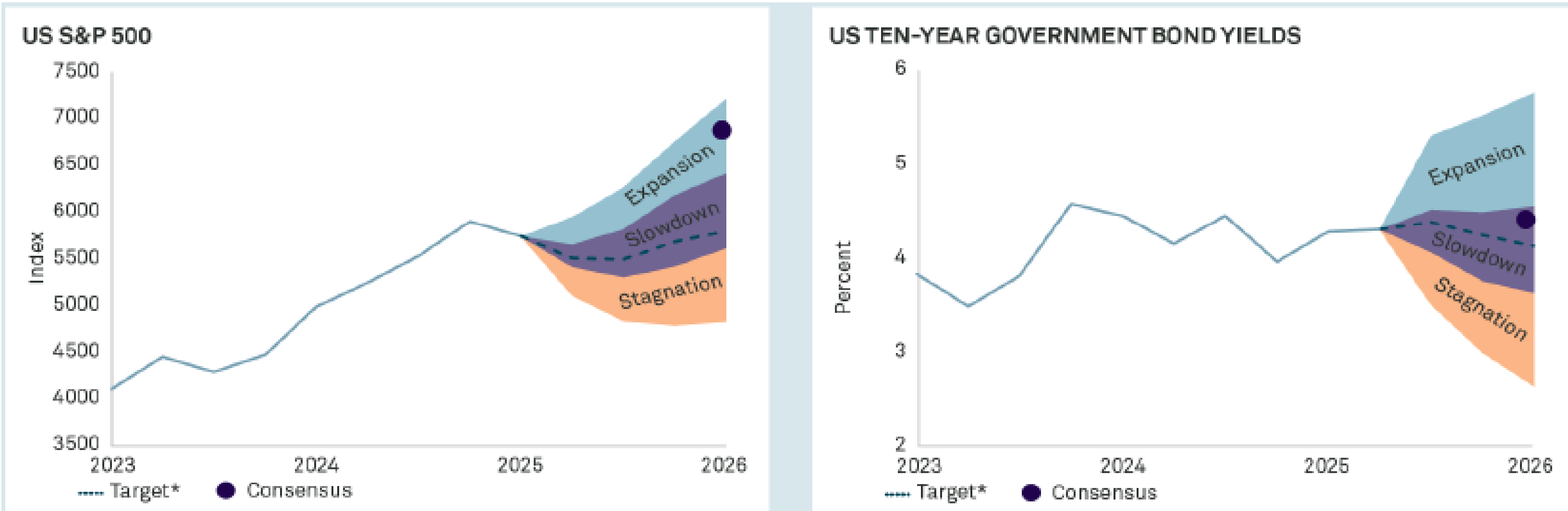
The U.S. trade deficit approached the record high in 2024



Sources: Capital Group, Bureau of Economic Analysis. Figures reflect 12-month totals through September of each year. As of September 30, 2024.

Market Base Case: Constructive, Not Complacent

Our Investment Committee outlines a base case "Slowdown" scenario with 40% probability—featuring decelerating but positive growth, measured policy adjustments, and manageable inflation. This balanced outlook reflects our confidence in economic fundamentals while acknowledging ongoing challenges.



Key Metrics	Base Case	Probability-Weighted
S&P 500 EPS	257	260
Earnings Growth	+5%	+6%
S&P P/E Ratio	22	22
S&P Level	5,650	5,800
10Y Treasury Yield	3.9%	4%

U.S. GDP is expected to grow approximately 1.3% in 2025, supported by resilient consumer spending despite being below trend.

Inflation, while elevated, continues easing toward target levels and is forecasted at ~3.1%, allowing the Federal Reserve to implement two measured rate cuts throughout 2025.

Return Expectations/Risk Assessment

WWM INVESTMENTS LLC

Equity Outlook

The S&P 500 is projected to deliver returns between +2% and +5% over the next 12 months, with potential upside if trade frictions subside and earnings growth exceeds expectations. Corporate fundamentals remain solid, with healthy balance sheets and sustained profitability despite margin pressures.

- Growth stocks expected to stabilize after recent correction
- Value and dividend payers offering defensive positioning
- Small caps presenting significant value opportunity

Fixed Income Perspective

Bond markets are anticipating a more accommodative monetary policy environment, with the yield curve likely to steepen modestly as short-term rates decline faster than long-term yields. This environment favors a balanced approach to duration management.

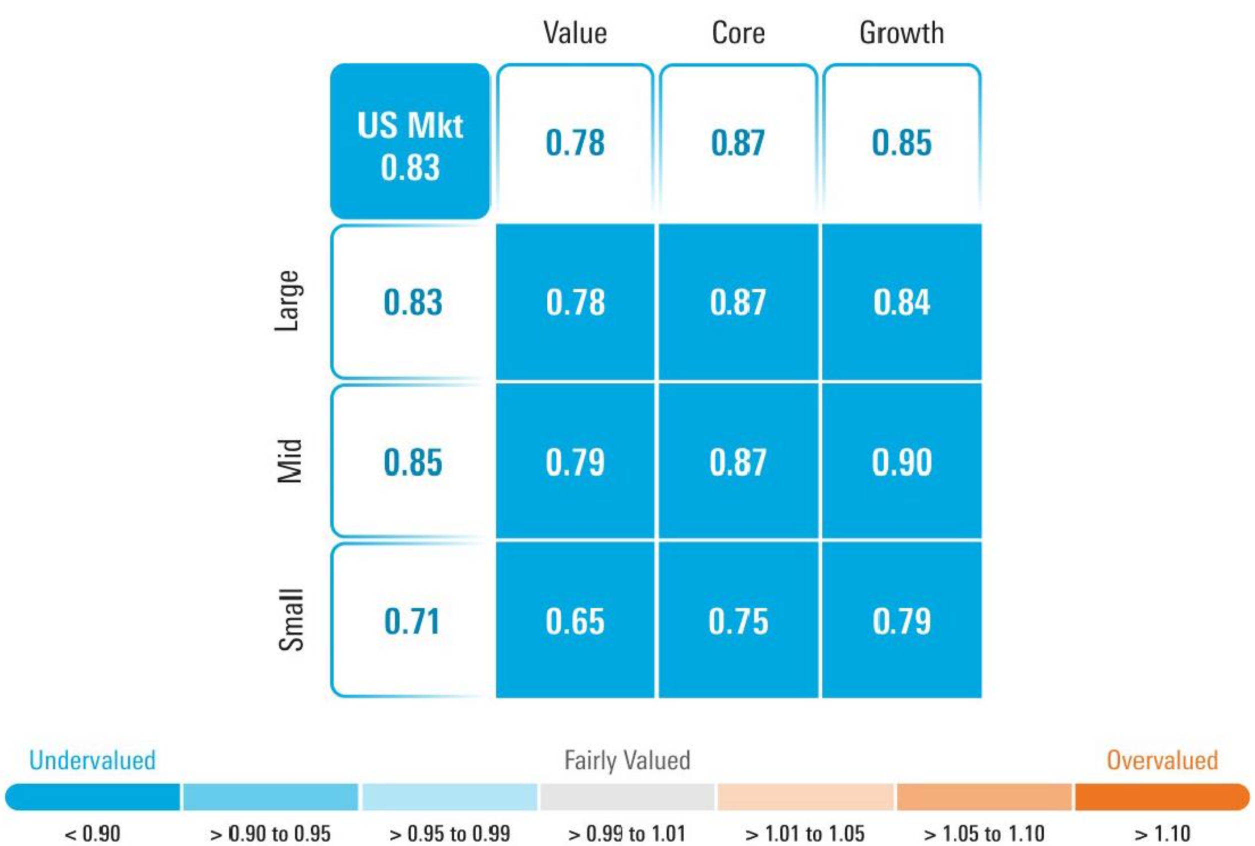
- Municipal bonds offering attractive after-tax yields
- Investment-grade credit providing income with stability
- Selective opportunities in high-yield for risk-tolerant investors

While near-term volatility may persist due to ongoing policy adjustments and geopolitical developments, the medium-term outlook remains supportive of disciplined, long-term equity investing. The combination of strong fundamentals and a resilient economic engine continues to underpin investor confidence despite headline risks.

Market Context: A Healthy Reset

US Stock Market Trading Well Below Fair Value Estimate

Valuations of Morningstar's equity research coverage by Morningstar Style Box, equities.



According to recent Morningstar data, the U.S. equity market currently trades at an attractive 17% discount to fair value.

This follows a significant repricing of technology and AI-related stocks in Q1—a recalibration representing normalization rather than systemic weakness after an exuberant 2024 rally.

Market Performance

The Morningstar U.S. Market Index has declined 13.76% year-to-date (as of April 4), led by growth sectors that previously exhibited premium valuations.

Defensive Resilience

Value and dividend-oriented stocks have demonstrated relative stability during the correction, highlighting the importance of balanced portfolio construction.

Small-Cap Opportunity

Small-cap equities appear especially compelling, trading nearly 30% below estimated fair value with attractive long-term growth potential.

Policy-related volatility—particularly around tariffs and trade—has created short-term headwinds. However, historical patterns suggest markets typically stabilize and recover once new policies become more predictable and uncertainty diminishes. This environment has created selective opportunities in sectors that may have been overly discounted due to macro concerns.

Global Considerations: Opportunities Beyond Borders

Eurozone Outlook

Growth expected at approximately 0.6%, with upside potential if fiscal stimulus gains traction and energy prices remain stable. European equities continue to trade at attractive valuations relative to U.S. markets, particularly outside defensive sectors.

Defense and infrastructure spending is rising substantially across the continent, offering compelling long-term investment themes tied to security priorities and aging infrastructure renewal.

China Assessment

China's projected growth of 4.2% remains well below its stated 5% target, reflecting persistent structural challenges. Trade tensions, weak consumer confidence, and ongoing deflationary pressures continue weighing on economic momentum.

While fiscal tools are being deployed to stimulate activity, structural reforms and geopolitical risks remain unresolved, warranting a cautious approach to direct exposure despite attractive valuations in select sectors.

Global opportunities persist, but exposure should be selective—focused on regions with policy clarity, fiscal support, and favorable demographics. Emerging markets beyond China, particularly in Southeast Asia and parts of Latin America, offer diversification benefits and growth potential for patient investors.

Sector Positioning and Strategy

Defensive Core

Maintain allocation to quality companies with strong balance sheets, sustainable dividends, and pricing power

Value Tilt

Overweight sectors trading at discounts to historical valuations with catalysts for rerating

Balanced Exposure

Combine growth and value styles to weather volatility while capturing upside

Income Focus

Emphasize multi-asset income strategies to enhance portfolio yield and stability

Technology

Selectively adding to quality names after significant correction; focusing on established companies with strong cash flows and reasonable valuations rather than speculative growth stories.

Financials

Overweight position, particularly in regional banks and insurance, benefiting from normalized yield curve and strong capital positions. Attractive valuations provide margin of safety.

Healthcare

Neutral weight with preference for large pharmaceuticals and medical devices over biotech. Defensive characteristics balanced against policy uncertainties in election year.

Energy

Maintaining exposure to traditional energy with focus on companies emphasizing capital discipline and shareholder returns. Gradually increasing allocation to clean energy transition leaders.

Final Thoughts:
A Season of Strategic Repositioning

WWM INVESTMENTS LLC

This quarter is not defined by crisis—it is defined by **calibration**. Markets are recalibrating to new trade regimes, more balanced interest rate expectations, and a return to valuation discipline. These are healthy developments for long-term investors seeking sustainable returns.

> **Turbulence is temporary. Fundamentals prevail.**

Strategic Thinking

Focus on long-term goals rather than short-term noise

Balanced Positioning

Combine defensive and opportunistic elements

Disciplined Diversification

Spread risk across asset classes, sectors and regions

Strategic opportunities exist in rebalancing toward undervalued areas of the market, maintaining flexibility to adapt as policy unfolds, and adding diversification through income-generating strategies. Our outlook remains cautiously optimistic: investors who stay grounded in strategy and diversified in execution will be best positioned to weather near-term volatility while capturing the long-term growth potential that still defines the economic landscape.

By embracing this period of transition with resilience and foresight, investors can transform temporary uncertainty into lasting advantage, reinforcing the timeless principle that patience and discipline remain the cornerstones of investment success.

Paul Gassel, *CFS, AIF®*

312.356.2167
pgassel@wwminvestment.com
www.wwminvestment.com
30 S. Wacker Drive Suite 2700 Chicago, IL 60606

WWM INVESTMENTS LLC

Paul Gassel is the Managing Partner of WWM Investments, LLC in Chicago, a firm with over $750 million in assets under advisement. In this role, Paul works directly with individuals and business owners to implement wealth management, investment, retirement and risk management strategies designed to provide long-term financial strength and security.

Paul founded WWM Investments, LLC in 2010, having served as a Financial Advisor in Chicago since 1995. Prior to establishing WWM, Paul was the Assistant General Agent and Investment Specialist at Pearre and Associates, Ltd., a General Agency of MassMutual Financial Group. During his tenure at Pearre, Paul was recognized as the Top Equity Advisor for 13 consecutive years.

Each year since 2012, Paul earned the distinction of being named a “5 Star Wealth Manager” by *Chicago* magazine, a designation awarded to the top 3% of wealth advisors in Chicagoland. In addition, Paul has been recognized in *Forbes* magazine’s Wealth Managers Black Book since 2016.

Paul serves on the board of Erie Neighborhood House. His commitment to giving back to the community also includes supporting the Ronald McDonald House Charities, Norwegian American Hospital and the Teen Living Program in Chicago.

Paul received his bachelor’s degree from the University of Alabama, holds a Certified Funds Specialist designation from the Institute of Business and Finance and is an Accredited Investment Fiduciary. He is a Registered Investment Advisor and member of the National Association of Insurance and Financial Advisors.

Paul resides in Chicago’s Lincoln Park neighborhood with his wife Jeanine and their two daughters.

Our Expertise Includes:

- Wealth Management
- Financial Planning
- Retirement Planning
- Risk Management
- Charitable Planning
- Estate Planning
- Business Planning

“Using a personalized approach, my intention is to educate, organize and empower my clients to make informed decisions based on their vision for the future”

Meet the Team

Matthew Smart
Director of Financial Planning

Kortney Young, AIF®
Director of Paraplanning

John Rybinski
Risk Management Strategist

Courtney Miller
Client Services Specialist

Kate Fisher
Marketing Strategy Specialist