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SUMMARY

- ‘Growth’ stocks reclaim top position in US.
- Strong international returns boosted further by weakening dollar.
- Despite tariff uncertainty, US earnings remain strong.

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Quarterly Recap Q2 2025: Business as Usual Markets Find Their Groove after a Rocky Start

As a new father, I feel I can strongly relate to the market returns in the second quarter. Just as I am currently in the trenches of sleepless nights and dirty diapers, the market spent most of April in high volatility caused in part by the Trump Administration’s tariff policy. However, those tough times were only temporary (as I am told is true on the baby front) and the market was able to see through the noise. With the exception of US Small Cap, global equity markets were able to post strong, double-digit returns in the second quarter. Let’s take a closer look at these strong returns to see what insights we can garner.

Table 1: Q2 2025 Asset Class Performance

Broad Asset Classes	PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 06/30/2025	
	Q2 2025	Trailing Twelve Months
GLOBAL EX-US EQUITIES	12.0%	17.7%
EMERGING MARKET EQUITIES	12.0%	15.3%
DEVELOPED INTL EQUITIES	11.8%	17.7%
GLOBAL EQUITIES	11.5%	16.2%
US LARGE-CAP	10.9%	15.2%
US SMID CAP	6.1%	6.6%
HIGH YIELD	3.6%	10.2%
FIXED INCOME INV GRADE	1.2%	6.1%
CASH	1.1%	4.8%
US TREASURIES	0.8%	5.3%

Source: Factset, Morningstar. Data as of June 30, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. See disclosures at the end of this publication for description of asset classes and the indices for which the returns above are based. Returns above do not reflect any fees or costs associated with investing in the applicable asset classes. It is not possible to invest directly in an index.

US Sectors: Growth Reclaims Pole Position

Table 2 on the next page shows US sector performance. We have seen a tug-of-war between sectors over the past several quarters. One quarter ‘growth’ themes will have leadership, only to lose to ‘defensive’ and ‘value’ sectors the next quarter. The trend continued with ‘growth,’ being led by Information Technology, posting the best returns for the quarter. While this back-and-forth trend may seem like noise, we believe there is an interesting point to note. When ‘growth’ has recently given up leadership, we believe it is often due to sentiment surrounding the sector, rather than earnings driven. This is why recently, after quarters of lower or negative returns, we have seen strong reversals the next quarter. This is not to say that the ‘growth’ mega trend we have seen over the last decade is “unbreakable,” but instead to emphasize the importance of bottom-up research and the quarterly earnings [“check-ups”](#) we perform.

Looking at the bottom of the table we see the Energy sector, in another reversal of Q1. In a [Weekly View](#) a couple months ago, we discussed how cooling oil prices were a positive for markets overall, but would present a headwind for energy markets. We see that in Energy's second quarter returns. Towards the end of the quarter, we saw a spike in oil prices, due to tensions in the Middle East. However, they were not sustained and prices below \$70 per barrel, along with potential for rising input costs, still present challenges for the sector, in our view.

Finally, we saw Health Care, Consumer Staples, Utilities, and Real Estate post returns below the S&P 500. These 'defensive' sectors posted a strong first quarter on the back of tariff concerns. We view these sectors moving back towards the bottom of the table as the market is looking past tariff concerns.

Table 2: Q2 2025 US Sector Performance

PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 06/30/2025		
US Sector	Q2 2025	Trailing Twelve Months
Information Technology	23.7%	15.1%
Communication Services	18.5%	23.0%
Industrials	12.9%	22.7%
Consumer Discretionary	11.5%	18.4%
S&P 500	10.9%	15.2%
Financials	5.5%	29.3%
Utilities	4.3%	23.4%
Materials	3.1%	1.9%
Consumer Staples	1.1%	12.2%
Real Estate	-0.1%	11.7%
Health Care	-7.2%	-5.9%
Energy	-8.6%	-4.0%

Source: Bloomberg. Data as of June 30, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns shown do not reflect any fees or costs associated with investing in the listed sectors, the applicable asset classes. It is not possible to invest directly in an index.

International Stocks: International Equities and Currencies Continue to Rally

Moving to Table 3 (top of next page), with the exception of the UK and China, each international market in our global universe outperformed the S&P 500 for US investors. The major thing to highlight with these returns is the strength of international currencies, outside of China. Without strong currency returns, the actual equity returns of international markets trailed the US. We view this currency rally partially as a counter-trend rally, coming off the back of close to all-time dollar strength. However, the looming threats of tariffs are also affecting dollar sentiment. If the Trump administration put hardline tariff policy back on the table, we could see this trend in dollar weakness continue. To further give us confidence in international equities, we would like to see this currency trend continue, along with stronger earnings from international companies, which we have not observed in our quarterly earnings "[check-ups](#)" as of yet.

Looking at individual markets, the strongest performing market was Canada. While the Canadian dollar did appreciate relative to the US dollar, local equity returns made up the majority of the US investor's return. We believe that gold and silver price appreciation contributed largely to this strong equity return. Miners of these minerals are present in the Canadian stock index and had strong quarters.

After a strong first quarter, Chinese equities posted the worst return in our global equity universe. On the equity return side, the Trump administration did not walk back tariffs on China like it did on other international trade partners. Compounding this is the fact that the Chinese currency is pegged relative to the dollar. Therefore, while other international markets' returns were boosted by a weakening dollar, Chinese equities were not.

Table 3: Q2 2025 Global Region Performance

International Market Returns	In USD		In Local		Currency Impact	
	Q2 2025	Year Over Year	Q2 2025	Year Over Year	Q2 2025	Year Over Year
Canada	14.2%	27.0%	8.3%	26.6%	5.9%	0.4%
EAFE	12.1%	18.3%	5.1%	8.6%	7.0%	9.7%
Emerging Markets	12.0%	15.3%	7.9%	12.9%	4.1%	2.4%
Europe	11.4%	18.4%	3.0%	7.9%	8.4%	10.4%
Japan	11.4%	13.9%	7.6%	2.3%	3.8%	11.6%
United States	10.9%	15.2%	10.9%	15.2%	0.0%	0.0%
United Kingdom	8.7%	20.0%	2.4%	10.7%	6.3%	9.3%
China	2.0%	33.8%	2.6%	34.0%	-0.6%	-0.3%

Source: Bloomberg. Data as of June 30, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns above do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

Looking Forward: Continuing to Watch Earnings

While the market has successfully looked through concerns over tariffs, it is important to note that this is still a dynamic situation. Just this past week, the Trump administration announced 50% tariffs on Brazilian imports and copper. This is important to note not to stoke fear and volatility back up, but instead to reiterate the importance of having and following an investment discipline. As we discussed last quarter amidst heightened volatility, we were looking to first quarter earnings season to inform our scenario analysis and guide our reinvestment path. Earnings remained resilient, and in line with that we reinvested the portfolios. Despite markets having calmed, we continue to lean on our scenario analysis to guide us. Specifically, we continue to believe that it is important to analyze companies' earnings reports and outlooks to identify the true extent of tariff effects. By relying on this discipline, we can be convicted as we make moves, rather than doing so from a place of emotion.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

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Information or data shown or used in this material was received from sources believed to be reliable, but accuracy is not guaranteed.

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All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Index Definitions

Standard & Poor's (S&P) 500 Index TR USD (US Large Cap) measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

Standard & Poor's (S&P) 1000 Index (US SMID Cap) – the S&P MidCap 400 Index and the S&P SmallCap 600 Index are combined to form the S&P 1000.

MSCI EAFE Index NR USD (Developed International Equities) is designed to represent the performance of large and mid -cap securities across approximately 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the US and Canada. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to nonresident institutional investors who do not benefit from double-taxation treaties.

MSCI Emerging Markets Index captures large and mid cap representation across approximately 26 Emerging Markets (EM) countries.

MSCI Europe Index represents the performance of large and mid-cap equities across approximately 15 developed countries in Europe.

MSCI Japan Index designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

MSCI United Kingdom Index (USD) is designed to measure the performance of the large and mid cap segments of the UK market.

MSCI Canada Index is designed to measure the performance of the large and mid cap segments of the Canada market.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI ACWI Index (Global Equities) is designed to represent performance of the full opportunity set of large- and mid-cap stocks across approximately 23 developed and approximately 25 emerging markets.

MSCI ACWI ex USA Index (Global ex US Equities) captures large and mid cap representation across approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.

ICE BofA High Yield Index TR USD (High Yield) tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. Index constituents are capitalization-weighted based on their current amount outstanding times the market price plus accrued interest.

Bloomberg Capital US Treasury Index TR USD (Treasury Bonds) measures the performance of the US Treasury bond market.

Bloomberg US Aggregate Bond Index TR USD (Fixed Income Investment Grade) is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. The issues must be rated investment grade, be publicly traded and meet certain maturity and issue size requirements.

Bloomberg Capital 1-3 Month US Treasury Bill Index TR USD (Cash) includes all publicly issued zero-coupon US Treasury Bills with a remaining maturity between one and three months, are rated investment-grade and have an outstanding face value of \$250 million or more.

In a rising interest rate environment, the value of fixed-income securities generally declines.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero).

Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

High-yield securities (including junk bonds) are subject to greater risk of loss of principal and interest, including default risk, than higher-rated securities.

Dividends are not guaranteed and are subject to change or elimination.

Investment grade fixed income securities include broad fixed income, corporate securities, municipal bonds, treasuries, and mortgage backed securities (MBS). Investment grade securities are believed to be at less risk of default and rated higher by the credit rating agencies. In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities. Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. MBS are subject to prepayment and extension risk; as such, they react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain MBS.

Treasuries are government debt securities issued by the US Government. Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. With relatively low yields, income produced by Treasuries may be lower than the rate of inflation.

US large cap equities include equities of companies with a market capitalization of over \$10 billion. Although large cap equities are generally considered to be safer securities, large cap equities are still subject to the risks associated with stocks.

Global equities are equities that span across both developed countries and emerging markets. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

The energy sector is a category of stocks that relate to producing or supplying energy. The energy sector or industry includes companies involved in the exploration and development of oil or gas reserves, oil and gas drilling, and refining. The energy industry also includes integrated power utility companies such as renewable energy and coal.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.

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