HOBBS GROUP ADVISORS
REGISTERED INVESTMENT ADVISOR

**Exhibit 1: Trailing Returns as of March 31, 2025**

| | Index/ETF | 1-Mo | YTD | 1-Y | 3-Y | 5-Y |
|---|---|---|---|---|---|---|
| Equities | Broad-based Emerging Markets (SPEM) | 1.31% | 2.61% | 11.74% | 3.65% | 9.77% |
| Equities | International Developed Equities (SPDW) | -0.05% | 6.68% | 4.77% | 5.17% | 11.88% |
| Equities | US Value (SPYV) | -3.01% | 0.21% | 4.10% | 9.24% | 17.15% |
| Equities | US Mid-Caps (SPMD) | -5.48% | -6.10% | -2.60% | 4.40% | 16.84% |
| Equities | US Large-Caps (SPY) | -5.57% | -4.27% | 8.24% | 8.98% | 18.49% |
| Equities | US Small-Caps (SPSM) | -6.23% | -8.93% | -3.43% | 0.69% | 15.10% |
| Equities | US Growth (SPYG) | -8.12% | -8.44% | 10.50% | 7.68% | 18.65% |
| US Fixed Income | Treasury Inflation Protected Notes (SPIP) | 0.61% | 4.31% | 6.49% | -0.27% | 2.12% |
| US Fixed Income | US Treasury 7-10 Year (IEF) | 0.34% | 3.79% | 4.45% | -1.06% | -2.69% |
| US Fixed Income | US Aggregate Bond Index (SPAB) | 0.00% | 2.88% | 4.96% | 0.52% | -0.48% |
| US Fixed Income | Investment Grade Corporate Bonds (SPBO) | -0.43% | 2.24% | 5.02% | 1.38% | 1.51% |
| US Fixed Income | High Yield Credit (JNK) | -1.34% | 0.93% | 6.91% | 4.09% | 6.06% |
| US Fixed Income | Municipal Bonds (MUB) | -1.82% | -0.53% | 0.99% | 1.37% | 0.99% |
| Commodities | Silver (SLV) | 9.47% | 17.70% | 35.91% | 10.64% | 18.89% |
| Commodities | Gold (GLD) | 9.45% | 19.00% | 39.71% | 16.84% | 14.25% |
| Commodities | Broad-based Commodities (BCI) | 3.82% | 8.66% | 12.12% | -1.22% | 13.88% |
| Commodities | Crude Oil (USO) | 2.81% | 2.36% | -1.77% | 1.42% | 18.09% |

Source: FactSet. Data as of March 31, 2025. 1Y, 3Y, and 5Y numbers are annualized.

## Tariffs and Inflation Drive Volatility

In Q1 2025, markets faced significant volatility as trade tensions, mixed economic data, and elevated equity valuations pressured investor sentiment. The Trump administration's tariffs fueled stagflation concerns, while elevated FX volatility and anticipated uncertainty weighed on global trade. As a result, the Nasdaq-100 Index, US small-caps, US mid-caps, and the S&P 500 Index all posted notable declines. Meanwhile, US value/dividends held up better, and both international developed and emerging market equities posted positive returns. Looking ahead, market direction will likely hinge on how tariffs evolve, geopolitical developments, inflation and growth trends, and Federal Reserve actions.

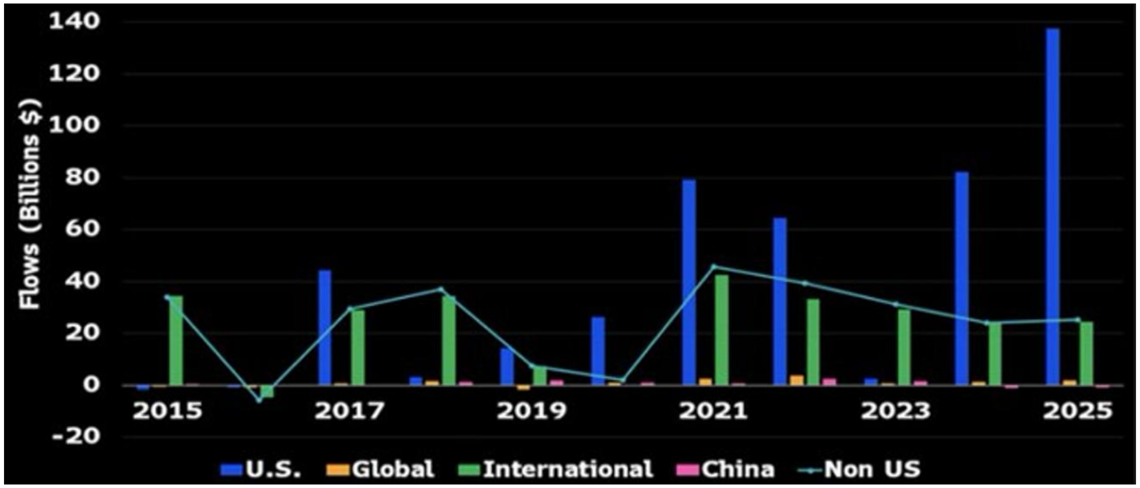
## Fed Remains Cautious

The Federal Reserve held interest rates steady at 4.25%-4.50% at the March FOMC meeting, emphasizing economic resilience despite ongoing trade uncertainties. Chair Jerome Powell signaled a cautious approach, balancing inflation and growth. Goldman Sachs now expects three rate cuts in 2025, starting in July, as tariffs weigh on economic activity and recession risks increase. Inflation remains above target, keeping the Fed's policy path data dependent.

## US Equity ETF Inflows Dwarf Non-US Inflows

Despite underperformance vs. non-US stocks in Q1, US equity ETFs experienced inflows of more than $137 billion; more than five time the inflows of non-US equity ETFs.

**Exhibit 2: Equity ETF Inflows**

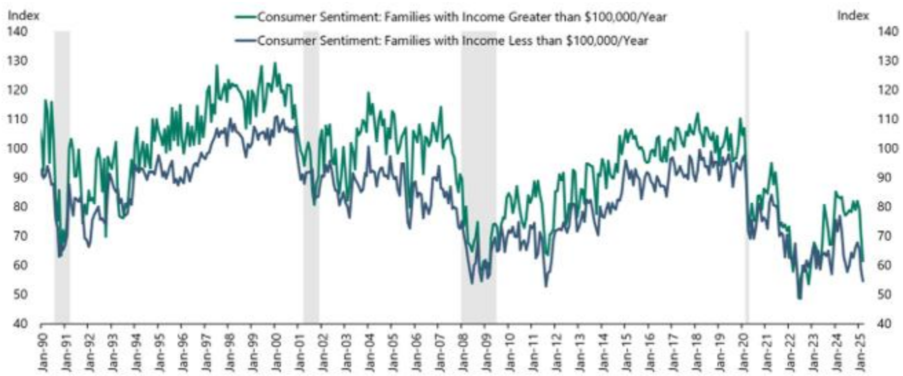



Source: Bloomberg Intelligence, Twitter @EricBalchunas. Data as of March 27, 2025.

## Consumer Sentiment is Declining

Consumer sentiment is rapidly declining for families with incomes both above and below $100,000 per year. This reflects a growing lack of confidence among consumers regarding their financial situation and the broader economy. Such downturns are often driven by worries over rising inflation, job security, or stagnant wages. When consumers feel pessimistic about their future financial prospects, they tend to cut back on discretionary spending, leading to decreased demand for goods and services. This can slow growth, impacting businesses, employment rates, and investment. Moreover, a persistent decline in consumer sentiment can potentially signal a recession.

**Exhibit 3: Consumer Sentiment Declining Across Income Groups**




Source: University of Michigan, Haver Analytics, Apollo Chief Economist. Data as of March 16, 2025.

## Passive Concentration or Active Diversification?

Diversification can be thought of as one of the free lunches in investing, offering a potential way to manage risk while aiming for sufficient returns. However, in recent years, broad diversification has not been as rewarding. The market's gains have been largely concentrated in nearly seven mega-cap stocks that drove the S&P 500 up by approximately 25% in back-to-back years. This narrow leadership has left many diversified portfolios underperforming, leading some investors to question the effectiveness of diversification.

However, with uncertainty levels high and seemingly rising, the value of diversification will likely increase. To build resilience against market fluctuations, investors can spread their exposures across the entire US stock market spectrum, from large to mid-cap stocks and both market cap weighted and equal weighted strategies, while also incorporating international equities for additional growth and diversification opportunities.

Beyond equities, being active in fixed income can help mitigate volatility, while adding a healthy mix of alternative assets—including real assets, gold, and long/short market-neutral strategies—can further enhance portfolio stability.

Maintaining a well-diversified approach can help investors navigate both current uncertainties and future market cycles more effectively.

### Warranties & Disclaimers