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WEALTH MANAGEMENT GROUP, LLC



QUARTERLY UPDATE AUG/SEPT 2025

Your Mid-Year Moment of Intentionality

The heat of summer invites us to pause, look around, and reconnect with what matters most. While the world continues to accelerate – bringing both opportunity and uncertainty – lasting peace of mind doesn't come from trying to predict what's next. It comes from being present, intentional, and clear on your direction.

At Financial Freedom Wealth Management Group, we believe financial clarity is one of the most powerful tools for living a life aligned with your values. Whether you're navigating a transition or simply enjoying a slower rhythm, summer offers the space to revisit your goals and ensure your strategy still fits the life you're building.

Inside this issue, you'll find market insights and a few behind-the-scenes glimpses of our team and community in motion. Wherever this season finds you, we hope it leaves you more grounded, more focused, and more free.

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Moments That Matter

The second quarter saw notable market volatility. The S&P 500 fell sharply in early April after the announcement of broad reciprocal tariffs, but steadily recovered as tariff rates were eased, economic growth remained resilient, and inflation stayed low. By the end of June, the S&P 500 reached new all-time highs and closed the quarter with strong gains.

In early April, the announcement of sweeping tariffs on many U.S. trading partners exceeded market expectations and triggered concerns about a potential trade-war-induced economic slowdown. The S&P 500 dropped more than 10% in the days following this announcement. However, what helped calm the markets was the subsequent actions such as the 90-day delay in implementing higher tariff rates and temporarily limiting tariffs to 10% for most trading partners. These moves helped reassure investors that the trade tensions would not immediately trigger a recession.

Our Vision

Our pursuit is to be the nation's most caring financial advisory team – guiding you, your loved ones, and your legacy toward lasting financial independence and a life of fulfillment.

Investor optimism grew in May when U.S. Treasury officials engaged with Chinese trade representatives, resulting in a substantial reduction of tariffs on Chinese goods – from an initial 145% to about 30%. This tariff easing, coupled with steady economic growth, continued to ease recession fears and extended the market rebound.

Strong earnings reports from technology leaders like Nvidia reinforced enthusiasm, particularly around the growth potential of artificial intelligence (AI). Additionally, a late-May court ruling challenged the legality of the tariffs, raising the possibility that they could be rolled back in coming months, which further boosted market sentiment.

In June, geopolitical tensions came into focus after Israel launched attacks on Iranian nuclear sites, causing a brief spike in oil prices and halting the rally mid-month. Investors considered the risk of rising energy costs and higher inflation potentially slowing economic growth. However, tensions eased quickly with a ceasefire agreement between Iran and Israel. Oil prices declined sharply, finishing the quarter lower

despite earlier volatility. At the same time, rising expectations for Federal Reserve interest rate cuts later this year supported positive gains in the overall markets.

Second Quarter Performance Summary

The rebound of the stock market was broad-based. Large-company stocks outperformed smaller companies, supported by strong earnings and steady interest rates. Small companies faced some pressure from higher bond yields and softer economic data late in the quarter but still posted positive returns.

Growth stocks, particularly in the technology and communications sectors, significantly outperformed value stocks. Tariff reductions and exemptions on tariffs helped support the outlook for major tech companies. Strong earnings from AI leaders helped renew investor enthusiasm for technology growth.

Also noteworthy: 7 of the 11 S&P 500 sectors posted positive returns. The top performers were technology, communications services, and industrials – all these sectors benefited from international exposure and tariff relief.

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The sectors that lagged the most in the second quarter were energy and healthcare. Energy stocks struggled due to oil price volatility and concerns about economic growth. Healthcare was pressured by tariff uncertainties and ongoing policy discussions around drug pricing.

Internationally, foreign markets outpaced the S&P 500 for much of the quarter, but a late June rally pushed the S&P back into the lead. Emerging markets outperformed developed markets, helped by easing the U.S./China trade tensions, along with positive Chinese economic data. Developed markets also posted solid gains which were supported by falling interest rates and stable growth.

US Equity Indexes	Q2 Return	YTD
S&P 500	11.57%	6.20%
DJ Industrial Average	6.52%	4.55%
NASDAQ 100	17.85%	8.35%
S&P MidCap 400	6.92%	0.20%
Russell 2000	7.95%	-1.78%

Source: YCharts

In fixed income, the Bloomberg U.S. Aggregate Bond Index delivered modest gains as inflation remained stable and economic growth showed signs of cooling. Longer-duration bonds outperformed shorter-term debt, reflecting market expectations for a cautious Federal Reserve stance on interest rates.

With corporate bonds, both investment grade and high yield

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posted positive returns for the quarter. High-yield bonds outperformed investment grade bonds, helped by steady economic growth and the prospect of favorable tax policies.

Third Quarter Market Outlook

The market enters the third quarter following a strong first half. This includes the S&P 500 hitting new record highs despite higher-than-expected tariffs, increased policy uncertainty, and geopolitical tensions.

While tariffs reached multi-decade highs, steps taken to delay, reduce, and legally challenge these tariffs have bolstered market confidence that trade conflicts will not derail economic growth. The primary market concern remains whether tariffs could slow growth or trigger stagflation, which is slowing growth combined with rising inflation.

So far, economic data has remained resilient with no major indicators signaling a sharp slowdown or rising inflation, all of which supports the market's strong rebound.

This being said, geopolitical risks still remain elevated. Conflicts involving Iran, Israel, and the ongoing situation in Ukraine carry the potential to disrupt energy markets and global stability. As

of the time of this writing, the market sentiment views these conflicts as contained and manageable.

Investors also still anticipate two interest rate cuts from the Federal Reserve this year, though uncertainty about tariffs' impact on growth and inflation means these cuts are not guaranteed. Should the Fed delay rate cuts, concerns about an economic slowdown may weigh on markets.

The markets have shown remarkable resilience so far in 2025. However, investors should avoid complacency given ongoing risks. Staying invested with a diversified portfolio aligned to your goals, risk tolerance, and timeline remain the key priority.

As always, we are focused on managing both opportunities and risks in this evolving environment. We appreciate your trust and commitment and encourage you to reach out with any questions or to schedule a time to discuss your investments and overall plan. We are here to help guide you with each step on your financial journey, and we look forward to what's next for you – regardless of what the markets may bring.

MOMENTS THAT MATTER

From client celebrations to charity events, these moments capture the heart of what we're building together. Whether you're near or far, **thank you for being with us on the journey!**



1. Quarterly Team Day with the Financial Freedom crew.
2. Proud to support the Boys & Girls Club of Salem at their annual Golf Shootout. Pictured: Advisors, York Mendoza, Haley Patton, Ethan Fishel, and Client Service Associate, Sam Lee.
3. Enjoying sunshine and some friendly competition at our Client Appreciation Picnic.
4. Director of Investments, DJ, sharing insights during our Client Appreciation Picnic.
5. Our weekly "Wake Up Wednesday" breakfast gathering, fueling teamwork in Newport.
6. What it's all about: living the good life on your own terms.
7. Founder and CEO, Julia Carlson, and President, Jason Harris, enjoying the picnic.
8. Post-picnic clean-up time!



Complimentary Consultation!

If you are not a client with us yet, we would like to offer you a one-hour, complimentary, private consultation with one of our Financial Advisors. To schedule, please call us at 458.777.4458 and someone from our team will be happy to assist you!

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

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