



MARCH 2025 MARKET COMMENTARY

Summary

- **U.S. Treasury Curve:** With heightened volatility across investment markets in March, investor demand for U.S. government bonds increased. Shorter maturity Treasury yields¹ fell.
- **Municipal Market Rates and Technicals:** Continued strong municipal bond issuance and uncertainty around the municipal bond tax-exemption hurt prices but improved their relative value, offering a more favorable environment for investors to increase duration.
- **Corporate Market Technicals:** The option-adjusted spread (OAS) for the Bloomberg (BBG) Corporate Investment Grade (IG) Index² (the Corporate Bond Index) was seven basis points (bps) wider. Corporate bond issuance remained high.
- **Securitized Trends:** BBG data showed monthly and year-to-date (YTD) total returns for commercial mortgage-backed securities (CMBS) (agency and non-agency) and Asset-Backed Securities (ABS) were positive.
- **Equity Market Trends:** The S&P 500 Index (the S&P Index)³ fell 5.7 percent. The Chicago Board Options Exchange (BoE) Volatility Index⁴ (VIX) remained elevated.

The following commentary is a summary of discussions among members of the Breckinridge Capital Advisors Investment Committee as they reviewed monthly activity in the markets and investment returns. The members of the Investment Committee, under the leadership of Co-Chief Investment Officers Matthew Buscone and Jeffrey Glenn, CFA, are Co-Heads of Research, Nicholas Elfner and Adam Stern, J.D., M.P.A.; and Portfolio Manager and Director, Corporate Research, Josh Perez, CFA.

1. U.S. Department of the Treasury, as of March 31, 2025.

2. IG Corporate bond performance is as measured by the BBG U.S. Corporate Investment Grade Bond Index, an unmanaged market-value-weighted index of investment grade corporate fixed-rate debt issues with maturities of one year or more. You cannot invest directly in an index.

3. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.

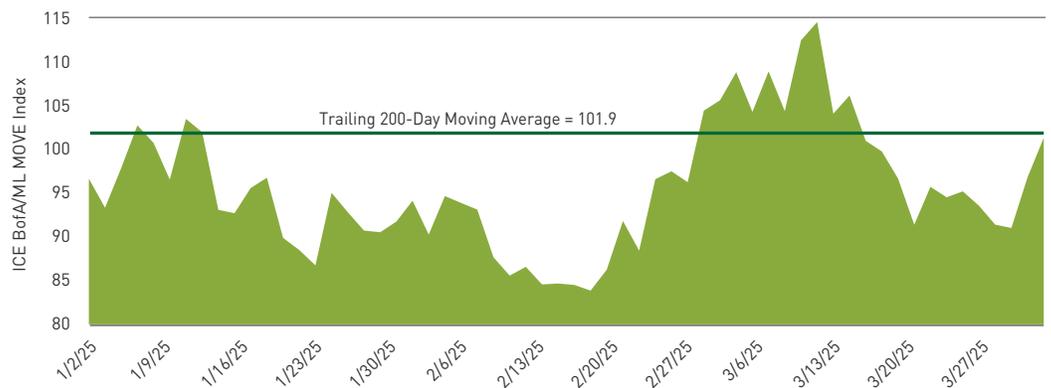


MARKET REVIEW

During March and for much of the first quarter, the challenge for investors was factoring into their decision-making weaker readings from soft economic data, such as consumer sentiment and inflation expectations, that have yet to show up in hard economic data, and the on/off again tariff announcements, which made it difficult to gauge the strength in the underlying economy.⁵

Cross currents from sometimes conflicting economic readings and policy announcements buffeted the markets, often leaving investors uncertain of which way to turn. Bond market volatility was elevated, especially through March, as measured by the Intercontinental (ICE) Bank of America/Merrill Lynch Option Volatility Estimate (MOVE) Index.⁶ (See Figure 1).

FIGURE 1: ELEVATED BOND MARKET VOLATILITY REFLECTED THE UNCERTAINTY, VARIABILITY ASSOCIATED WITH ECONOMIC DATA & POLICIES



Source: Intercontinental Exchange, as of March 31, 2025. Past performance is not indicative of future results.

By the end of the month, Treasury yields were lower for 2- and 5-year Treasuries by 11 and 7bps, respectively. The 10-year Treasury yield was unchanged. The 30-year yield was 8bps higher. For the quarter ended March 31, 2025, 2-, 5-, 10-, and 30-year Treasury yields were 36, 43, 36, and 21bps lower. (See Figure 2).

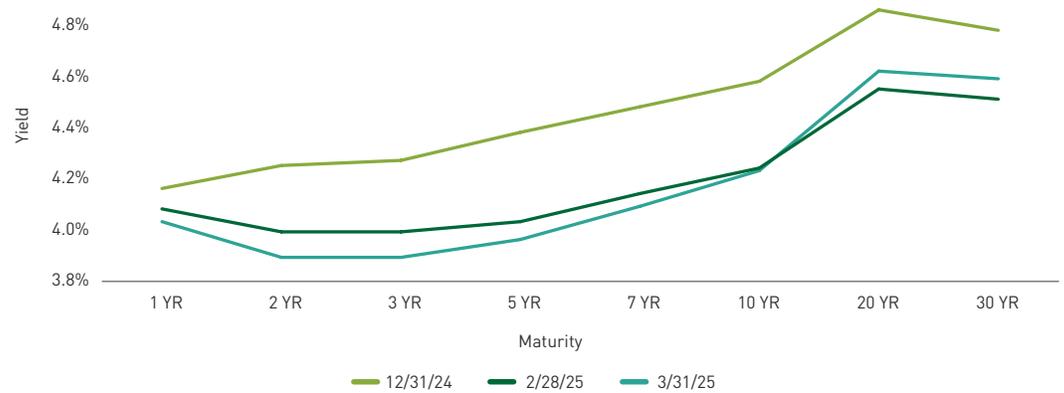
The BBG U.S. Treasury Index⁷ (the Treasury Index) recorded total returns of 0.23 percent for March and 2.92 percent for the quarter ended March 31, 2025.

The Breckinridge Investment Committee is expecting two cuts to the federal funds rate in 2025 and anticipates the combined impacts on gross domestic product (GDP) and inflation of Department of Government Efficiency's (DOGE) efforts and tariffs to be net negative, exerting modest downward pressure on growth and upwards pressure on inflation.

5. For example, the Federal Open Market Committee in mid-March held the federal funds rate steady, while offering downward revisions to growth and upward revisions to inflation and unemployment. At the same time, Federal Reserve (Fed) Chairman Jerome Powell dismissed a University of Michigan Consumer Confidence Survey that showed a surge in long-run inflation expectations and described a best-case scenario for potential tariff-related inflation as "transitory." While February Consumer Price Index (CPI) data decelerated 22bps, to 0.23 percent month-over-month (M/M) and 3.1 percent year-over-year (Y/Y)—reversing the 24bp uptick in January—the Bureau of Economic Analysis (BEA) reported on March 28 that February Core Personal Consumption Expenditure (PCE) prices reflected a sharp acceleration in price pressure, with increases of 7bps, to 0.37 percent M/M and 2.8 percent Y/Y. On March 29, the BEA reported that employment remained fairly solid, with payroll employment moving up 151,000 amid only modest declines in federal jobs and an uptick in the unemployment rate to 4.1 percent. Three days later, the February Job Openings and Labor Turnover Survey (JOLTS) declined to \$7.568 million, after ticking up in the prior month, and layoffs and discharges moved up slightly. On April 1, the Institute for Supply Management (ISM) reported its manufacturing Purchasing Managers Index (PMI) dropped below 50 for the first time in 2025, reflecting softening production, employment, and new orders. The BEA's third estimate lifted Q4 2024 GDP growth to 2.4 percent quarter-over-quarter (Q/Q), on a seasonally adjusted annual rate basis. In contrast, the April 1 *GDPNow* estimate of the Federal Reserve Bank of Atlanta was -3.7 percent. Policy announcements from Washington D.C. also had a give-and-take quality, which appeared to leave investors sometimes uncertain of which way to move. One mid-March tariff announcement was rescinded quickly, with the promise it would be reinstated early in April. Similarly, DOGE cost-cutting job reductions were countered, in some instances, by lawsuits seeking freezes or reversals.
6. As of March 31, 2025, based on the Intercontinental (ICE) Bank of America/Merrill Lynch Option Volatility Estimate (MOVE) Index, which tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries. Historically, the index rises as concerns grow that interest rates may be higher. You cannot invest directly in an index.
7. The BBG U.S. Treasury Bond Index is an unmanaged index of prices of U.S. Treasury bonds with maturities of 1 to 30 years. You cannot invest directly in an index.



FIGURE 2: THE TREASURY YIELD CURVE STEEPENED IN MARCH, AS LONGER-TERM YIELDS INCREASED



Source: U.S. Department of the Treasury, as of March 31, 2025. Past performance is not indicative of future results.

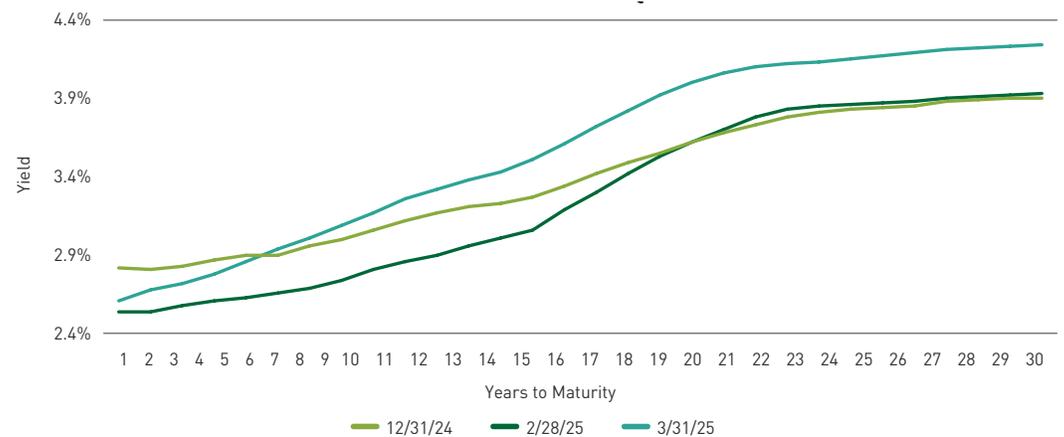
MUNICIPAL MARKET REVIEW

The Bloomberg (BBG) Short/Intermediate (1-10) Municipal Bond Index⁸ (the Municipal Bond Index) fell 1.16 percent during March and gained 0.48 percent for the quarter ended March 31, 2025.

During March, municipal yields increased by 9, 22, 33, and 35bps, respectively, for 2-, 5-, 10-, and 30-year maturities. The divergence between Treasuries and municipal bonds was unusual in the amount of underperformance, and led to a meaningful improvement in the relative value of municipal bonds when compared to Treasuries.

During the quarter, municipal bond yields were lower for very short maturities and higher from 10 years and longer, steepening the yield curve to a more normalized slope. Investors saw conditions that were potentially favorable for extending municipal bond maturities. (See Figure 3.) Over the course of the quarter and especially in March, Municipal/Treasury ratios⁹ improved. (See Figure 4).

FIGURE 3: INTERMEDIATE MUNICIPAL BOND YIELDS INCREASED IN MARCH & THE FIRST QUARTER

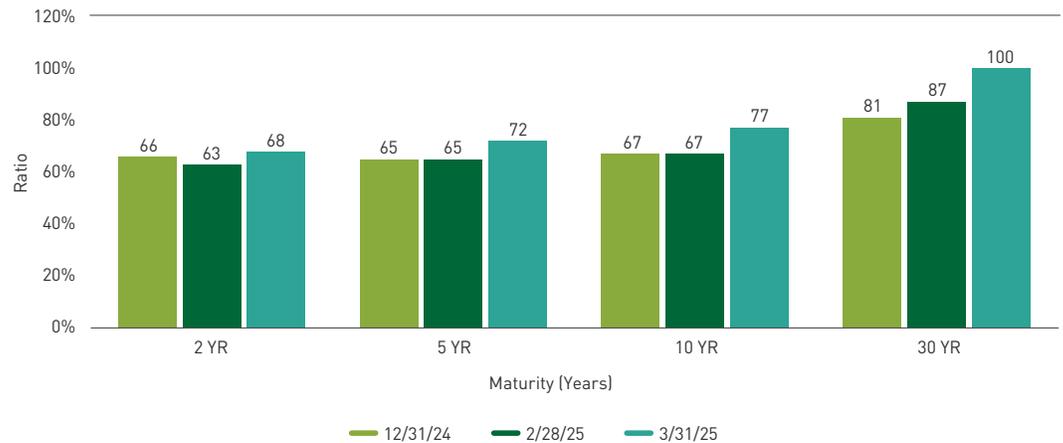


Source: Municipal Market Data, as of March 31, 2025. Past performance is not indicative of future results.

8. Municipal bond performance is as measured by the BBG Managed Money Short/Intermediate (1-10) Index, which measures the performance of the publicly traded municipal bonds that cover the USD-denominated short/intermediate term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. It is rules-based, and market-value weighted. You cannot invest directly in an index.
 9. The Municipal/Treasury (M/T) ratio compares yields of municipal bonds with those of U.S. Treasury bonds of the same maturity. M/T ratios can show the relative value of municipal bonds compared with taxable bonds, by indicating when yields for municipal bonds exceed the after-tax yields on taxable bonds.



FIGURE 4: M/T RATIO IMPROVED NOTABLY IN MARCH



Source: Municipal Market Data, as of March 31, 2025. Past performance is not indicative of future results.

Possibly reflecting investors' cautious approach in the unsettled market, bonds with the shortest maturity tended to have the best returns in March and quarterly performance. Lower quality bonds continued to outperform higher quality ones.

Per to *The Bond Buyer* reporting London Stock Exchange Group (LSEG) data, March bond issuance was approximately \$41 billion, up about 7 percent from the prior month. In March, municipal bond fund net asset outflows of were \$280 million. The sustained availability of new issue bonds and increased outflows from bond funds contributed to a supply/demand dynamic that pressured municipal bond prices and supported higher yields.

CORPORATE MARKET REVIEW

The U.S. Corporate Index OAS widening trend continued in March, adding 7bps M/M. On a total return basis for March, the Corporate Bond Index fell 0.27 percent, with excess return of negative 0.42 percent. Widening credit spreads may reflect increasing caution among corporate bond buyers as they assess market volatility, changes in economic data, and the potential for slowing growth.

For the first quarter ended March 31, 2025, the Corporate Bond Index total return was 2.31 percent and the excess return was negative 0.85 percent. According to BBG data, the best-performing sectors were Supranationals, Foreign Agencies, Health Insurance, Construction Machinery, and Environmental. The worst-performing were Transportation Services, Media Entertainment, Supermarkets, Chemicals, and Oil Field Services. Bonds rated AA fared the best across the investment grade quality spectrum.

Total fixed-rate, gross IG supply was \$203.3 billion. After \$123.6 billion in redemptions, net supply was \$79.7 billion, BBG reported. The total new issuance for the month was more than 17 percent higher than in February and 21 percent higher than in the same month one year ago. For the quarter, total fixed-rate gross IG supply was \$641.3 billion, which compared to \$657.3 for the same period one year ago.

Through March, a net total of nearly \$11 billion flowed into long-term taxable bond mutual and exchange traded funds (ETFs) during the month, according to the Investment Company Institute (ICI).



SECURITIZED MARKET REVIEW

SECURITIZED SECTOR RETURNS THROUGH MARCH 31, 2025: ONE-MONTH & QUARTER/YEAR-TO-DATE (QTDYTD)

BBG Index	One-Month Total Return (%)	One-Month Excess Return (%)	QTD/YTD Total Return (%)	QTD/YTD Excess Return (%)
BBG MBS Index ¹⁰	-0.02	-0.27	3.06	-0.08
BBG CMBS Index ¹¹	0.26	-0.25	2.57	-0.07
BBG Agency CMBS Index ¹¹	0.40	-0.11	2.86	0.08
BBG Non-Agency CMBS Index ¹¹	0.11	-0.40	2.26	-0.21
BBG ABS Auto Loan Index ¹²	0.31	-0.14	1.46	-0.06
BBG ABS Credit Card Index ¹²	0.36	-0.11	1.67	-0.05

Source: BBG Index data, as of March 31, 2025. Past Performance is not a guarantee of future results.

With the exception of the residential MBS sector, which was down 0.02 percent in March, all MBS and ABS sectors delivered positive total returns for the month and quarter ended March 31, 2025, according to BBG data. Excess returns for the same periods were negative across the sectors.

During March and the quarter ended March 31, 2025, conventional¹³ and Ginnie Mae¹⁴ MBS with higher coupons outperformed others in the category on a total and excess return basis.

EQUITY MARKET REVIEW

The U.S. equity markets endured a difficult month of March and first quarter of 2025, as concerns increased how the future effects of trade policies might affect growth, inflation, business profitability, and employment. Performance among larger capitalization and higher quality stocks led during the month, while growth and high beta¹⁵ stocks lagged.

After trending lower during the middle of March, the Chicago Board Options Exchange (BoE) Volatility Index¹⁶ (VIX) moved higher during the last week of the month. The 200-day moving average increased. (See Figure 5.)

On March 31, 2025, *FactSet* reported that of the 107 S&P 500 companies issuing quarterly earnings per share (EPS) guidance for the first quarter to date, 68 issued negative EPS guidance and 39 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average of 57 and above the 10-year average of 62.

The S&P Index earned a monthly return of a negative 5.7 percent in March and was down 4.6 percent for the first quarter ended March 31, 2025. The Russell 1000 Value Index¹⁷ gained 0.8 percent in March and fell approximately 3 percent for the quarter. The Russell 1000 Growth Index¹⁸ fell almost 10 percent in March and 8.5 percent for the quarter.

10. The Bloomberg MBS Index tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by government-sponsored enterprises (GSEs) Government National Mortgage Association (Ginnie Mae) (GNMA), Federal National Mortgage Association (Fannie Mae) (FNMA), and Federal Home Loan Mortgage Corporation (Freddie Mac) (FHLMC). The index is constructed by grouping individual pools into aggregates or generics based on program, coupon, and vintage. You cannot invest directly in an index.

11. The Bloomberg U.S. CMBS Investment Grade Index measures the market of U.S. Agency (GNMA, FNMA, and FHLMC) and U.S. Non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300mn. You cannot invest directly in an index.

12. Bloomberg U.S. Asset-Backed Securities (ABS) Index is the ABS component of the Bloomberg U.S. Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos, and utility. You cannot invest directly in an index.

13. Conventional MBS are issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC).

14. Ginnie Mae MBS are issued by the Government National Mortgage Association (GNMA).

15. High-beta stocks generally are stocks that are considered to be riskier but to provide higher return potential.

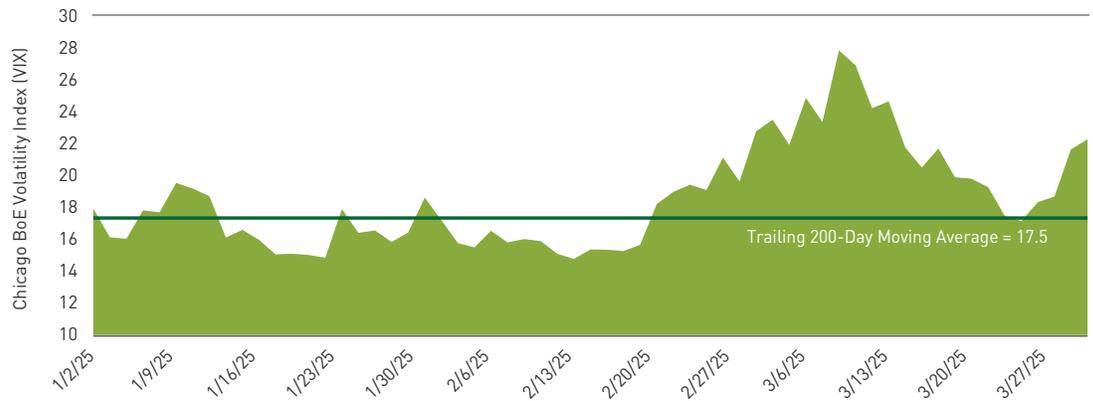
16. The Chicago Board Options Exchange (CBOE) Volatility (VIX) Index is the ticker symbol and name for the Chicago Board Options Exchange's (CBOE) Volatility Index, a measure of the stock market's expectation of volatility based on S&P 500 index options. You cannot invest directly in an index.

17. The Russell 1000® Value Index is an unmanaged market capitalization-weighted index of value-oriented stocks of U.S. domiciled companies that are included in the Russell 1000 Index. Value-oriented stocks tend to have lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.

18. The Russell 1000® Growth Index is an unmanaged market capitalization-weighted index of growth-oriented stocks of U.S. domiciled companies that are included in the Russell 1000 Index. Growth-oriented stocks tend to have higher price-to-book ratios and higher forecasted growth values. You cannot invest directly in an index.



FIGURE 5: EQUITY MARKET VOLATILITY REMAINED ELEVATED, & THE 200-DAY MOVING AVERAGE INCREASED



Source: Chicago Board Options Exchange, as of March 31, 2025. Past performance is not indicative of future results.

At a sector level, 9 of 11 sectors declined on the month. While Energy (3.4 percent) and Utilities (0.2 percent) earned positive returns, the balance were negative: Consumer Discretionary (-8.3 percent), Information Technology (-8.3 percent), Communication Services (-5.2 percent), Financials (-4.2 percent), Industrials (-3.6 percent), Materials (-2.7 percent), Real Estate (-2.4 percent), Health Care (-1.7 percent), and Consumer Staples (-1.1 percent).

For the quarter at a sector level, 7 of 11 sectors gained. Positive contributors were Energy (9.9 percent), Health Care (6.5 percent), Utilities (4.9 percent), Consumer Staples (4.5 percent), Real Estate (3.6 percent), Financials (3.5 percent), and Materials (2.7 percent). Negative returns were recorded in Consumer Discretionary (-11.7 percent), Information Technology (-11 percent), Industrials (-0.2 percent), and Communication Services (-0.01 percent).



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