



Retirement Market Recap SPREAD OUT, TUNE OUT

Tuning Out the Noise: Why Diversification Delivered in Q2 2025

Media coverage of capital markets during the second quarter illustrates how the volume and tone of commentary can be misleading when considered without historical and current context.

Indeed, the initial tariff rollouts during the first Trump administration and the current re-escalation are significant changes to trade and international relations that warrant attention and discussion. However, many investors, including retirement plan participants, remain invested in

multi-asset class solutions, such as target date or balanced funds, that are globally exposed. As a result, many investors' experiences during the second quarter, year-to-date, even amid the height of the volatility in April, did not necessarily align with certain headlines and commentary surrounding the market volatility.

It's important to put stock and bond market performance into historical context and to balance it with current perspectives. The table below, including the highlighted

balanced/target date line items, indicates the importance of being globally diversified, when applicable for the investor, and not overly dependent on a specific geography, theme or asset class.

For many retirement plan participants in a Qualified Default Investment Alternative within a retirement plan (balanced/target date fund) experiencing declines of approximately 6%, staying the course (invested) can continue to pay off in the short, intermediate and long term.

The Tariff "Liberation Day" Drawdown and Total Returns for Major Asset Classes

Sorted highest to lowest for year-to-date (YTD) performance

	April month-to-date performance through April 7	April YTD performance through April 7	Q2 2025 performance	YTD performance through Q2 2025 (June 30)
International Equity Index (MSCI ACWI ex USA)	-9.92%	-5.20%	12.03%	17.90%
Global Equity Index (MSCI ACWI)	-9.84%	-10.94%	11.69%	10.33%
60/40 Global Stock-Bond Index (AOR - ETF)	-6.29%	-5.88%	7.41%	7.87%
Bloomberg Global Aggregate Bond Index	0.58%	3.23%	4.52%	7.27%
Sample Actively Managed 2030 Target Date Fund (TRFHX)	-6.62%	-5.82%	5.92%	6.83%
S&P 500 Total Return Index	-9.77%	-13.63%	10.94%	6.20%
Bloomberg US Aggregate Bond Index	-0.26%	2.52%	1.21%	4.02%

TRFHX is shown for the Sample Actively Managed 2030 Target Date Fund due to its comparable asset class exposure with the 60/40 Global Stock-Bond Index (AOR - ETF); it is a common holding and QDIA with TruePlan's clients.

Source: Ycharts Inc.; data as of June 30, 2025.

Past performance is not an indication of future results. You cannot invest directly in any index. Index is unmanaged and excludes fees and expenses.

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FOR MORE INFORMATION:

Ryan L. McWalter, CAIA

SENIOR DIRECTOR, INVESTMENTS

rmcwalte@trueplanadvisors.com | 800.388.1963

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Capital markets, especially stocks, showed resilience during Q2 in terms of both percentage returns and underlying fundamentals. This is particularly unique given the numerous geopolitical uncertainties with large-scale armed conflicts in Europe and the Middle East, and uncertainty with international trade policies. At a high level, market observers/pundits believe a core driver of resilience is related to artificial intelligence and sectors that are the largest potential beneficiaries of its growth and influence, such as technology and communication services.

The second quarter got off to a volatile start with the formal announcement on “Liberation Day” of large-scale U.S. tariffs with trade partners across the world. However, the market volatility was relatively short lived as the U.S. administration enacted a policy pivot, pausing tariffs and allowing time for trade negotiations. This eased inflation concerns, creating a tailwind for stock and bond markets which, along with a strong labor market, restored confidence among investors.

For domestic S&P 500 companies that have reported actual earnings per share for Q2 (34% of S&P 500 companies), a majority have reported positive earnings and revenue surprises.¹ The semiconductor industry has stood out thus far in 2025. Driven by AI demand, this is an example of the performance dispersion seen in equity markets in which companies directly involved in the design of AI chips and related manufacturing have been performing notably well in terms of stock performance and earnings.²

Similar to recent years, the bond market experienced above long-term historical average volatility in Q2 with choppy trading conditions in the U.S., but still generated quarterly gains with the interest rate-sensitive Bloomberg US Aggregate Bond Index generating a 1.21% gain and the more risk sentiment-sensitive Bloomberg US Corporate High Yield Index gaining 3.53%.

The tariff policy pivot in April and ensuing easing of inflation concerns allowed

the U.S. Federal Reserve to maintain its policy stance. Fed Chair Jerome Powell stated on June 24, “For the time being, we are well positioned to wait to learn more about the likely course of the economy before considering any adjustments to our policy stance.”³

The performance tables provided on pages 1 and 3 show international equity markets had a strong second quarter and outperformed U.S. stocks. A combination of easing by the European Central Bank with a 25-basis point reduction to 2.25% and strong performance from the defense industry provided support for international markets, particularly in Europe. NATO's pledge to have members agree to increase defense spending from 2% to 5% of Gross Domestic Product by 2035, and aggressive pledges from Germany and the European Union to help increase European security amid the wars in Russia/Ukraine and the Middle East, helped drive risk sentiment and assets higher during the quarter.

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While challenges and uncertainty remain, diversification and a long-term perspective remain essential in navigating an evolving investment landscape for many retirement savers.

¹ John Butters. (July 25, 2025) Earnings Insight. FactSet Research Systems. https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_072525.pdf

² Kevin Khaw Khai Sheng. (July 7, 2025) Semiconductor 2H25: Look Beyond. FSMOne. <https://www.fsmone.com.my/funds/research/article-details/331382>

³ Darla Mercado, CFP®. (June 18, 2025) Fed decision recap: Central bank signals stagflation fears, Powell says Fed 'well positioned to wait' on rates. CNBC. <https://www.cnbc.com/2025/06/18/fed-meeting-live-updates-feds-interest-rate-projections-loom.html>

The TRFX invests in a diversified mix of underlying T. Rowe Price funds and gradually shifts its allocations from equities to fixed income as the year 2030 approaches. In contrast, the 60/40 Global Stock/Bond Index maintains a constant allocation of 60% equities and 40% bonds. Because TRFX reallocates over time and the index remains static, their performance and risk profiles may differ significantly. Target date funds do not guarantee returns and may gain or lose value now and after its target date; the target date is the approximate year an investor plans to retire, but the fund may continue to be managed beyond the date. Performance returns are presented net of fees and expenses.

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	Total Returns Through June 30, 2025				
	3 month total return	1 year total return	3 year annualized total return	5 year annualized total return	10 year annualized total return
S&P 500 Total Return (US Stocks)	10.94%	15.16%	19.71%	16.64%	13.65%
(Global Stocks) MSCI ACWI Net Total Return	11.53%	16.17%	17.35%	13.65%	9.99%
(International Stocks) MSCI ACWI Ex USA Net Total Return	12.03%	17.72%	13.99%	10.13%	6.12%
(International Developed Stocks) MSCI EAFE Net Total Return	11.78%	17.73%	15.97%	11.16%	6.51%
MSCI Emerging Markets Net Total Return (stocks)	11.99%	15.29%	9.70%	6.81%	4.81%
Russell Midcap Total Return (US mid-cap stocks)	8.53%	15.21%	14.33%	13.11%	9.89%
Russell 3000 Total Return (US broad market stocks)	10.99%	15.30%	19.08%	15.96%	12.96%
Russell 1000 Total Return (US large cap stocks)	11.11%	15.66%	19.59%	16.30%	13.35%
Russell 2000 Total Return (US small cap stocks)	8.50%	7.68%	10.00%	10.04%	7.12%
(Public Real Estate Securities) S&P US REIT Net Total Return	-1.45%	7.31%	4.00%	7.35%	N/A
(Global Bonds) Bloomberg Global Aggregate Index Return	4.52%	8.91%	2.75%	-1.16%	1.17%
Bloomberg US Aggregate Bond Index	1.21%	6.08%	2.55%	-0.73%	1.76%
Bloomberg US Corporate High Yield Bond Index	3.53%	10.29%	9.93%	5.97%	5.38%
(Cash) Bloomberg US Treasury Bills 1-3 Month Index	1.07%	4.75%	4.66%	2.82%	1.97%
Bloomberg US TIPS Index	0.48%	5.84%	2.34%	1.61%	2.67%
(60/40 Global Stock-Bond) iShares Core 60/40 Balanced Allocation	7.41%	12.30%	11.40%	8.19%	6.90%

Source: Ycharts Inc.; data as of June 30, 2025.

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