



Cabot Quarterly Review

WEALTH MANAGEMENT

2nd QUARTER | 2025



July 2025

Dear Friends,

I hope this newsletter finds everyone well and enjoying the summer so far. Lately, the markets have been acting very much like our weather here in New England ... if you don't like what you see when you look out the window, just wait a day or so and everything will change. We had an interesting (and stressful) start to the quarter but fortunately, things have settled down and the markets have moved along to new highs. We can all enjoy the relative calm in the markets now but, as with a nice summer day in New England, be prepared that storm clouds could arrive at any time to dampen our mood.



IN THIS ISSUE

1 OPENING LETTER
(Greg Stevens)

2 Q&A WITH THE INVESTMENT TEAM ON CURRENT MARKETS
(Tyler Swaim with Craig Goryl, Connie DeBoever and Pat Creahan)

6 KEY TAX CHANGES FROM THE ONE BIG BEAUTIFUL BILL ACT
(Tyler Swaim)

7 DON'T LET HACKERS IN: KEEP YOUR ACCOUNTS SAFE
(Sonia Ernst)

8 AROUND CABOT SUPPORTING CAUSES IN THE COMMUNITY
(Alex Castrichini)

Those of us who have spent decades working in the financial industry know not to base our long-term investment decisions on short-term market movements and news headlines. I think you'll agree that this is easier said than done! The fear that "this time is different" can induce panic and fear in every investor. It is important to take a long-term view and make sure your asset allocation aligns with your goals. This is what we're here to help with.

In this quarter's newsletter, we've included our annual Q&A with members of our portfolio management team. We cover some of the popular questions clients have asked our advisor team recently. To be honest, we could publish a much longer newsletter if we included answers to all the questions that have come up during these uncertain times, but we feel it is important to keep things concise. Our team is always here for you if you need any further clarification on anything related to the markets or your specific portfolio allocation and financial plan.

The passing of the new "One Big Beautiful Bill Act" will certainly keep tax professionals busy. Tyler Swaim has an article this quarter discussing some of the aspects of the bill that most impact our clients. Our tax team is working to sort out all of the details and determine if we need to make any changes to our clients' tax plans. Having a thorough understanding of how income, capital gains and even estate taxes impact your financial plan is important. We have a great planning team in place to help you sort through the always-evolving tax landscape. Sonia's article on cybersecurity gives some great tips for all of us to follow. It is more important than ever to make sure we have steps in place to keep our data safe and stay ahead of those trying to steal our information.

In our last newsletter, I mentioned the new additions to our team as well as our upgrade to a new portfolio management and accounting system. We have more changes to report - be sure to check out the note in this newsletter about Cabot moving our office later this year! We'll have more information coming out soon, but we're all looking forward to moving into a more modern, spacious building that will allow our team to better collaborate, which will keep our firm moving forward.

As always, I want to thank each of you for trusting our team to help you achieve your financial goals. We don't take that trust for granted and will always work hard to do what is best for you and your family in the years ahead. I hope you enjoy the rest of your summer and please don't hesitate to reach out if we can help in any way.


Greg Stevens
President and
Managing Partner



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Current Markets Q&A with Cabot's Investment Team

Tyler Swaim, ChFC®, CRPC™
Partner and Senior Wealth Advisor

As the halfway point of 2025 has arrived, **Partner and Senior Advisor, Tyler Swaim** sat down the investment management team to discuss some of the challenging questions that have presented themselves over the first half of the year.



Craig Goryl
CFA®
Partner, Chief Investment Officer



Connie DeBoever
CFA®
Assistant Portfolio Manager



Pat Creahan
CFA®, CAIA®
Partner, Portfolio Manager

ASSET CLASS UPDATE

2nd Quarter = 3/31/25 to 6/30/25; YTD = 12/31/24 to 6/30/25; 1 Year Return = 6/30/24 to 6/30/25

INDEX	QTR Return	YTD Return	1 YEAR Return	3Y ANN Return	5Y ANN Return	DESCRIPTION (What does this Index represent?)
US EQUITIES						
Dow Jones Industrial Average	5.5%	4.5%	14.7%	15.0%	13.5%	US Large Cap Stocks (30 select large US corporations)
S&P 500 Index	10.9%	6.2%	15.1%	19.7%	16.6%	US Large Cap Stocks (Largest 500)
Russell 1000 Index	11.1%	6.1%	15.6%	19.6%	16.3%	US Large Cap Stocks (Largest 1000)
Russell 2000 Index	8.5%	-1.8%	7.7%	10.0%	10.0%	US Small Cap Stocks (2000 small public companies)
GLOBAL EQUITIES						
MSCI All Country World Index	11.5%	10.0%	16.2%	17.3%	13.7%	Combination of major global markets: United States, Foreign Developed, and Emerging Markets
MSCI EAFE (Europe, Australia, Far East)	11.8%	19.4%	17.7%	16.0%	11.2%	Large and mid-sized companies in mature foreign markets like Japan, Europe, Australia, etc.
MSCI Emerging Markets	12.0%	15.3%	15.3%	9.7%	6.8%	Large and mid-sized companies in developing economies like China, India, Brazil, Russia, South Africa, etc.
MSCI Frontier Markets	11.1%	20.0%	23.9%	10.8%	9.2%	Large and mid-sized companies in the world's least advanced economies like Kuwait, Argentina, Kenya, etc.
FIXED INCOME						
Bloomberg Barclay's US Intermediate Bonds	1.5%	4.2%	6.7%	3.2%	0.2%	US Bond Market: government, corporate, and mortgage bonds
Bloomberg Barclay's US Aggregate Bonds	1.2%	4.0%	6.1%	2.5%	-0.7%	US Bond Market: government, corporate, and mortgage bonds
Bloomberg Barclay's US High Yield	3.5%	4.6%	10.3%	9.9%	6.0%	Higher risk, higher yield "junk" bonds
"ALTERNATIVE" ASSETS						
GOLD, Dollars/Oz.	5.7%	25.9%	42.0%	22.3%	13.2%	Gold bullion
NYSE Arca Gold Miners Index	13.6%	53.8%	55.5%	26.7%	9.7%	Companies that mine precious metals
Crude Oil, Dollars/Barrel	-8.9%	-9.2%	-20.1%	-14.9%	10.6%	The price of a barrel of oil
Bloomberg Commodity Index	-4.1%	3.3%	1.0%	-4.5%	9.4%	Commodities like Gold, Copper, Natural Gas, Corn, etc.
Dow Jones REIT Index	-0.9%	1.9%	9.2%	3.4%	6.7%	An index of Real Estate Investment Trusts
Alerian MLP Infrastructure Index	-4.7%	7.0%	13.6%	25.9%	27.8%	MLPs: Energy infrastructure assets such as pipelines



Q&A: Senior Wealth Advisor Tyler Swaim with CIO Craig Goryl on Equities



Tyler: Let’s start with you, Craig- Can you summarize what happened to equity markets in the quarter?

Craig: Second Quarter was a wild ride. We started with the “Liberation Day” drop. That took the S&P down 11% to start the quarter, on fears that tariffs and trade wars would harm the economy. We got a pause of those tariffs very quickly, and from there a powerful rally took over - one that has continued into the 3rd quarter so far. Foreign stocks followed a similar pattern and produced returns comparable to the U.S. in the quarter.

A few things underpinned the rally. First, the evidence of productivity gains from Artificial Intelligence (AI) is emerging, and this will be good for companies’ bottom lines. Second, the tax bill was friendly to corporations. And third, the market has started pricing in interest rate cuts as soon as this fall - lower rates make risk assets (like stocks) more attractive. Meanwhile, the market grew less concerned about risks out there: inflation, trade wars, budget deficits.

Tyler: “Policy Uncertainty” is a phrase we’ve heard a lot. What is your outlook here?

Craig: The headlines seem to change every day! Nevertheless, the market seems to have become accustomed to ignoring the Trump Administration’s grand pronouncements, social media posts, ultimatums, and deadlines. Tariffs are on, then they’re off. Tax bill is off, then it is on. President Trump will fire the Fed Chair, then he won’t. It’s been a lot of noise, with not a lot of material effects.

While investors are taking this in stride, the consumer is wavering, as shown by consumer confidence polls and credit card spending data. And we don’t know yet whether all this uncertainty is affecting business decisions – hiring a new worker, investing in new machinery, opening a new location. I worry the policy whipsawing is counterproductive, and the market is being complacent. On the other hand, our economy has proven very resilient over the last 15 or more years. So we’re watching closely.

Foreign stocks are an important element in any diversified equity portfolio. They reduce risk by spreading out exposure to other areas of the world. This year, they have also boosted returns. While U.S. stocks have performed well, foreign

stocks have done even better. I think that is one outcome of volatile U.S. policy: global investors are reducing exposure and seeking more predictability. Globalization has been very good for U.S. stocks; upending the current world order in trade does carry some risks.

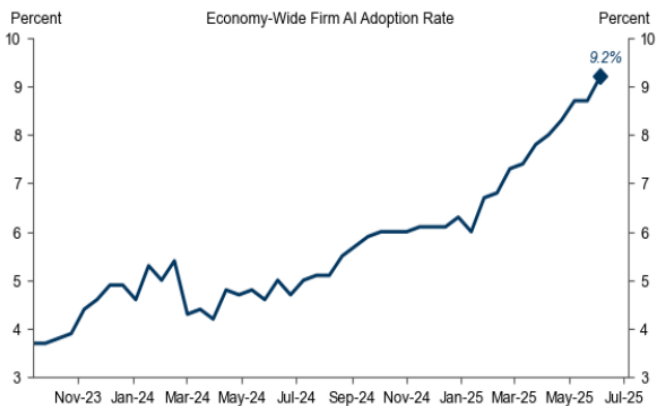
Tyler: AI is getting a lot of attention. Can you update us on your view of what this technology means for markets?

Craig: It is hard to understate the impact. AI is driving markets and changing business. We are in the early innings of a very powerful long-term trend. I have a couple of pictures that tell the story well: less than 10% of companies are using AI, but the number is climbing rapidly. And while AI use is highest where you’d expect it to be - technology, professional services, and research - it is growing everywhere (see charts below).

But knowing that AI adoption will be fast and durable does not make it easy to pick the winners. We are looking hard for beneficiaries, especially those where success is not fully priced in.

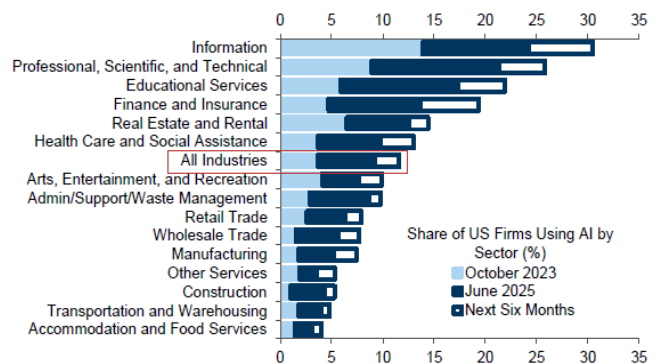
AI Adoption by Firms

Exhibit 6: AI Adoption by Firms Has Accelerated Notably Since the Start of This Year



Source: Census Bureau, Goldman Sachs Global Investment Research

Exhibit 7: 9.2% of Firms Across All Industries Have Adopted AI, Up Notably From 7.4% Last Quarter



Source: Census Bureau, Goldman Sachs Global Investment Research



Q&A: Senior Wealth Advisor Tyler Swaim with Assistant Portfolio Manager Connie DeBoever on Growth Themes



Tyler: Connie, you've done a lot of work on AI beneficiaries for Cabot's Aggressive Growth Equities portfolio. What are you finding?

Connie: We believe there are many avenues to explore for AI beneficiaries. We remain most excited about the companies that are viewed as key AI players, such as Nvidia, Meta, Microsoft and Google. These are all names that are owned within the Aggressive Growth Equities portfolio. We are attracted to the leading positions each company occupies. Several of these companies are spending a significant amount to establish and maintain their leadership in AI.

We are particularly excited about Nvidia, whose growth and financial profile are unprecedented. Their competitive advantage continues to grow given increased product demand, lack of competition and their growing ecosystem. We are also attracted to Meta's AI strategy, particularly in the way advertising, content and experiences can evolve on their platform through the use of AI. We have also invested in several other companies who have incorporated AI into their product offerings. For example, Salesforce and Hubspot's software now includes AI features that allow for more efficiencies for companies' processes and workflows while continuing to benefit from a cloud-based platform. In addition, Axon's AI-based reporting software will reduce the administrative work of police officers while incorporating the use of their body camera hardware, both of which make their ecosystem even stickier. Finally, Datadog will benefit from the increased monitoring and surveillance required as companies migrate to the cloud and use AI to help with this. More broadly speaking, it will be exciting for us to observe and participate in the AI evolution from generative AI (i.e.,

generating content/images and searches/queries) to agentic AI (i.e., achieving a goal or resolving a problem/issue via more complex, multi-step processes or workflows with little/no human intervention or supervision). We will continue to look for companies who can best take advantage of this evolution.

Tyler: Where else in the market are you looking for growth?

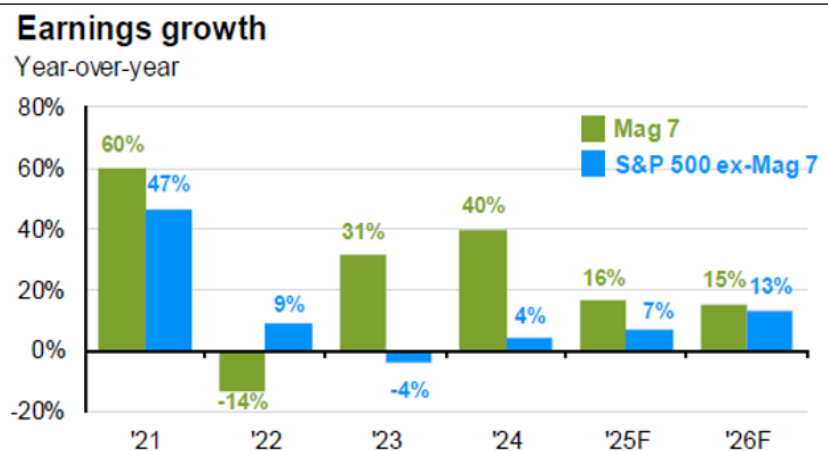
Connie: In the Aggressive Growth Equities portfolio, we continue to view the technology sector as the primary area, particularly since it has higher growth prospects and, in the case of software companies, a better financial profile in terms of margins and free cash flow. We have also identified a few, select non-U.S. companies that are not in the technology sector but have company-specific growth drivers and/or competitive advantages that we find attractive. Regardless, our investment criteria remain unchanged, with a focus on sustainable long-term growth, above-average margins, superior capital allocation and competitive advantage, amongst other things.

Tyler: The past few years, the market has shown significant returns in the

technology sector. A few of these companies have been large factors in the returns for the S&P 500. Do you anticipate technology to be a continued driving force for the stock market, or do you expect this area of the market to eventually balance itself with other sectors?

Connie: I expect the technology sector to continue to be a driving force for the market as it will remain a key catalyst of growth and innovation. AI is a clear growth driver, but the technology sector should also be more insulated against tariffs and less economically sensitive. That being said, valuations and expectations are fairly high so there will likely be more volatility in this sector. However, I would like to see the market returns being more broadly driven than just the technology sector and in particular the Magnificent 7 stocks (Apple, Meta, Microsoft, Nvidia, Google, Amazon and Tesla). This high level of concentration is not healthy for the market, particularly since it is in just 7 stocks. This broadening could happen if the earnings growth of the rest of the market continues to close the gap between it and the Magnificent 7, as shown in the chart below.

Magnificent 7 performance and earnings dynamics



Source: J.P. Morgan Market Insights Guide to the Markets 3Q 2025 As of June 30, 2025.



Q&A: Senior Wealth Advisor Tyler Swaim with Portfolio Manager Pat Creahan on Bond Markets



Tyler: Pat, let’s talk bonds. How would you characterize fixed-income markets through the first half of the year?

Pat: In the first half of 2025, the bond market weathered dramatic headlines yet delivered stable returns across most sectors. Interest rates fluctuated but settled not far from where they began. Short-term yields fell early in the year as investors anticipated Federal Reserve easing, while long-term yields edged higher, resulting in a steeper yield curve by mid-year. This move was driven more by heavy Treasury issuance meeting modest demand than by changes in Fed policy. Meanwhile, the Fed kept its policy rate steady near 4.5% and signaled patience amid ongoing trade policy developments.

Performance varied across sectors. Government bonds rose at the short end but lagged at the long end. High-yield corporates dipped during the Q2 tariff scare — spreads widened as investors

moved to safety — but rebounded quickly. Investment-grade corporates stayed resilient, supported by light supply and strong demand, keeping spreads tight. Agency mortgage backed securities widened modestly versus Treasuries but found fair value by June. Municipals struggled early due to heavy supply and uneven demand; yields rose, and curves steepened, leaving longer-term munis attractively priced compared to other sectors. This weakness has created buying opportunities as we head into the second half of the year.

Tyler: How are you positioning client bond portfolios in this environment?

Pat: We remain conservatively positioned, emphasizing high-quality liquid sectors that offer attractive yields with limited credit risk. We favor Treasuries, agency mortgages, and high-quality municipal bonds as core holdings. Corporate bond exposure is

selective and concentrated at shorter maturities and thoroughly researched to identify mis-priced opportunities.

This focus on shorter-duration corporates reflects our view that since credit spreads remain tight (see Chart below), we seek income where we can limit price volatility and credit risk. Overall portfolio duration stays close to intermediate benchmarks; we prefer not to take material interest rate bets in such an uncertain environment. Longer-term holdings are focused on Treasuries and munis, where yields in the 5- to 10-year range remain compelling. By leaning on quality and balance, we aim to deliver reliable income while preserving capital. Investing across diverse fixed income markets allows us to build well-diversified portfolios that can take advantage of relative value opportunities between asset classes as they arise.

Current credit spreads are near their tightest levels of the past 25 years, offering limited additional yield for added risk.

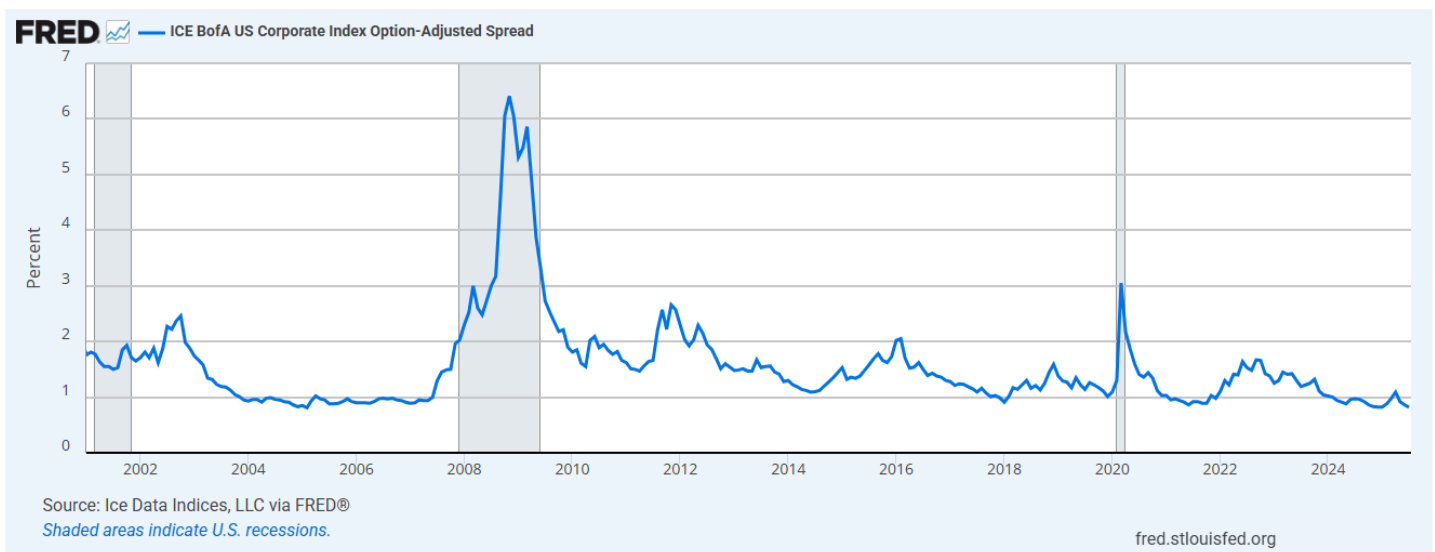


Chart Source: <https://fred.stlouisfed.org/series/BAMLC0A0CM>



Key Tax Changes from the *One Big Beautiful Bill Act*

Tyler Swaim, ChFC®, CRPC™
Partner and Senior Wealth Advisor

On July 4th, 2025, President Donald J. Trump signed the “One Big Beautiful Bill Act” into law. Below are some of the basic changes to this plan from a tax perspective:

TAX CUTS, CREDITS, GIFTS

No Tax on Tips or Overtime Wages

- ▶ The first \$25,000 of tips will be tax deductible through 2028 with \$150k single income limit or \$300k filing jointly.
- ▶ \$12,500 of extra overtime pay will be tax deductible through 2028 with \$150k single income limit or \$300k filing jointly.

Standard Deduction

- ▶ Changes to the standard deduction: \$15,750 for individuals, \$31,500 for married filing jointly, and \$23,625 for heads of household.
- ▶ This may be adjusted for inflation each year.

SALT Deductions (State and Local Tax)

- ▶ Taxpayers will now be allowed to write off a larger portion of their state and local taxes from the federal tax level.
- ▶ SALT tax cap was originally \$10,000. This will now be changed to \$40,000, subject to phase out when modified AGI is over \$500k. This will annually increase by 1%.
- ▶ This deduction will begin in 2025 and fall back to \$10,000 in 2030.

Deduction of Car Loan Interest

- ▶ Car buyers who purchase a vehicle manufactured in the U.S. will be able to deduct up to \$10,000 per year. This deduction phases out between \$100k-\$150k for single filers, and \$200-\$250k for married filing jointly.

Senior Tax Deduction

- ▶ Anyone over 65 may deduct an additional \$6,000. Phaseout begins with \$75k for single filers, \$150k for married filing jointly.

Estate Tax Exemption

- ▶ Estate Tax Exemption adjusted from \$13.99 million to \$15 million.

Child Tax Credit

- ▶ Raises child tax credit from \$2,000 to \$2,200. Adjusted after 2025 for inflation.

As this plan has demonstrated a significant number of changes to the tax policy, it’s important to think about where and how these adjustments might affect your financial plan. If you have questions about where this new bill fits into your picture, please contact your Cabot Wealth advisor.

**WE ARE
MOVING**

As part of our continued growth and commitment to enhancing your client experience, our team will be relocating to a new office location in September this year. We are moving from Salem to Beverly and will share full details soon. We’re excited about what this change means for the future of our service to you.





Don't Let Hackers In: Keep Your Accounts Safe

Sonia Ernst

Managing Partner, Manager of Trading and Operations

Protect Your Financial Accounts

One of Cabot's top priorities is the security of our clients' accounts, which includes continuing to educate our clients so that together we can keep your information secure. Back in April I participated in a small roundtable discussion group with members of Schwab's fraud prevention and cybersecurity teams. It did not come as a surprise that the most prevalent scams are banking scams and investment scams, many currently centered around alternative investments.



These are the tips I took away to help keep your accounts secure:

Download and Use the Schwab Mobile App

► Schwab has seen fraudsters trying to spoof their website in an attempt to gain access by learning your password. Downloading and using the Schwab App is the most secure way to access your account because it ensures you will not accidentally click on a fraudulent link. Alternatively, if you prefer to access through a website, make sure you bookmark the legit site and use the bookmark to access your accounts instead of searching for their login online.

Set Up Biometrics for Your Login

- **App:** The Schwab Mobile App offers facial recognition options in addition to 2-factor authentication options for login.
- **Online:** Schwab Alliance Online Login offers 2-factor authentication with a code sent to your mobile device, and most devices allow biometric setup to access the phone.
- **By phone:** Schwab Alliance Call-in Security offers voice ID, verbal passwords and multi-factor authentication sent to your mobile device to verify your identity.

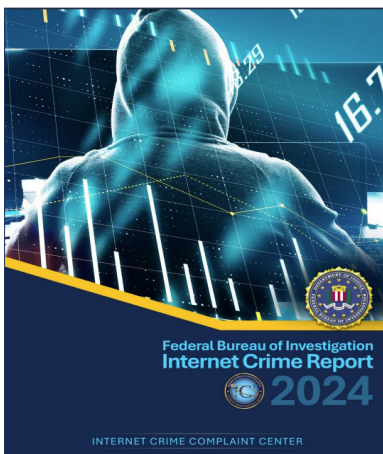
Consider ACH Linking

► Consider the type of account you use when linking your ACH (Automated Clearing House) to your Schwab Account. Schwab advises using a Savings Account as ACH linked to your investment accounts instead of a Checking Account. Checking Accounts are used much more frequently and thus it is easier for others to know your account number. They advise setting up ACH to your Savings and then moving money to your Checking once there.

Lessons from the FBI's Internet Crime Report

Back in April the FBI released their 2024 statistics of Internet Crime. Highlights of this report include:

1. \$16.6 billion in losses in 2024
2. 33% increase in losses over 2023
3. Those age 60+ marked the biggest group of complaints and the most losses
4. Most complaints were the result of phishing/spoofing, followed by extortion and personal data breach
5. **Investments** marked the top of the list of complaints by loss amount
6. California, followed by Texas, and then Florida, marked highest number of complaints and losses by state



TRENDS IN SCAMS:

- * Scammers impersonating cryptocurrency exchanges
- * Scammers targeting senior citizens in grandparent's scams
- * Toll scams regarding debt for toll roads
- * Gold courier scams

The full report can be accessed here: https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf



Supporting Causes in the Community

Alex Castrichini, CFP®
Senior Wealth Advisor

Charitable work and service to the community have long been important to Cabot Wealth Management as well as many of our clients. As I have grown in my career, I have wanted to give back and do more. Last year, I had the opportunity to join the board of a wonderful Boston-based charity called **Boston CASA**. Boston CASA (Court Appointed Special Advocates) trains and supports community volunteers to serve children navigating the foster care system. These children in many cases have suffered from abuse and neglect and are suddenly navigating a confusing world of courts, lawyers, and case workers. CASA volunteers help ensure the child's wellbeing by advocating for the educational and health services they require while providing the presiding judge with monthly reports on the child's progress and challenges. For many of these children, their Boston CASA Advocate is the only consistent person in their corner.

This year, Cabot Wealth Management helped support this charity by sponsoring the Boston CASA Annual Gala event. I was proud to represent the Cabot Team and help raise funds to serve more children in the community.

Cabot is also helping sponsor and support CASA's annual Golf Tournament this year on August 11th. To learn more about the event and CASA, visit their website at: <https://bostoncasa.org/golf-outing-23/>

If you would like to learn more about charitable giving strategies, please contact your Cabot Wealth Advisor. I am proud to represent a company that gives back and cares about numerous causes in our community.



Senior Wealth Advisor Alex Castrichini and CASA Executive Director Nicole Stewart at the annual CASA Gala event.

Around Cabot:

Cabot Sponsorships

Cabot was a proud sponsor of the YMCA of the North Shore, Ipswich Family YMCA Annual Golf Tournament held at Turner Hill in Ipswich, MA.



Cabot also sponsored the Misselwood Concours d'Elegance event held at the Misselwood Estate. All proceeds go directly to Endicott College's Inspire Scholarship program.



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