

# INVESTMENT FOCUS

**August 2025**

**INVESTMENT POLICY REVIEW  
AND STRATEGY ALIGNMENT**

**WEALTH MANAGEMENT**

The Woodlands

**INVESTMENT MANAGEMENT**

Houston

**FINANCIAL PLANNING**

Austin

# Seven Noteworthy Items

Developments of the last month.

01

**Upward momentum in Equities continues**  
YTD DJIA 5.38%, NASDAQ 13.62%

S&P 500 YTD  
**9.59%**

02

**Oil prices: no July drop post-Iran/Israel conflict. July: \$68.39**  
OPEC+ raises again for September; +547K bpd

WTIC today  
**\$63.08**

03

**Bonds yields sliding... July avg for 10-yr: 4.38%**  
30-year mortgage @ 6.63%; pushing lowest since Oct '24

10-Yr Trsy  
**4.25%**

04

**Inflation held steady...Helping the case for a Sept cut**  
Core CPI for July @ 3.02%; Tariff impact not showing

July CPI  
**2.70%**

05

**FOMC meets September 17<sup>th</sup>; Rate cut seems likely**  
Futures at 99% for a Sept. cut... 59% for 3 cuts by year end

Fed Funds  
**4.33%**

06

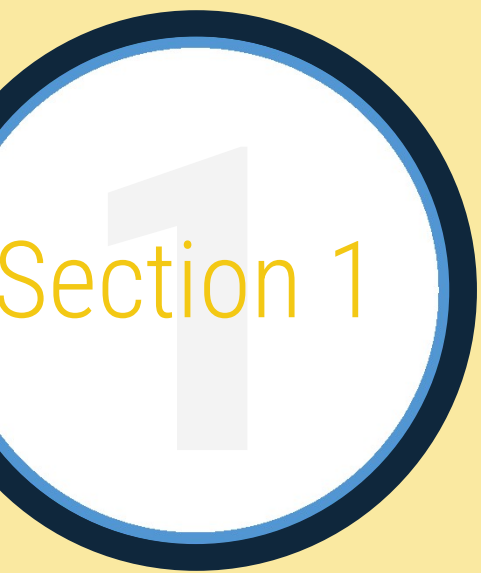
**↓ Inventories & ↑ Exports boosted GDP**  
Early 3Q predictions are good; GDPNow @ +2.5%

Real GDP  
**3.00%**  
2Q 2025

07

**ECB held rates steady in July; No new cut until December?**  
Bank of England cuts again to 4.0%; likely to hold for now

ECB Rate  
**2.15%**



# **An Eye on Major Developments**

# AGENDA

**1**

Where are Markets Today?

**2**

Are Tariffs Over??

**3**

What to take from 2Q GDP

**4**

Employment Trends

**5**

Federal Reserve Policy

# Where We Stand

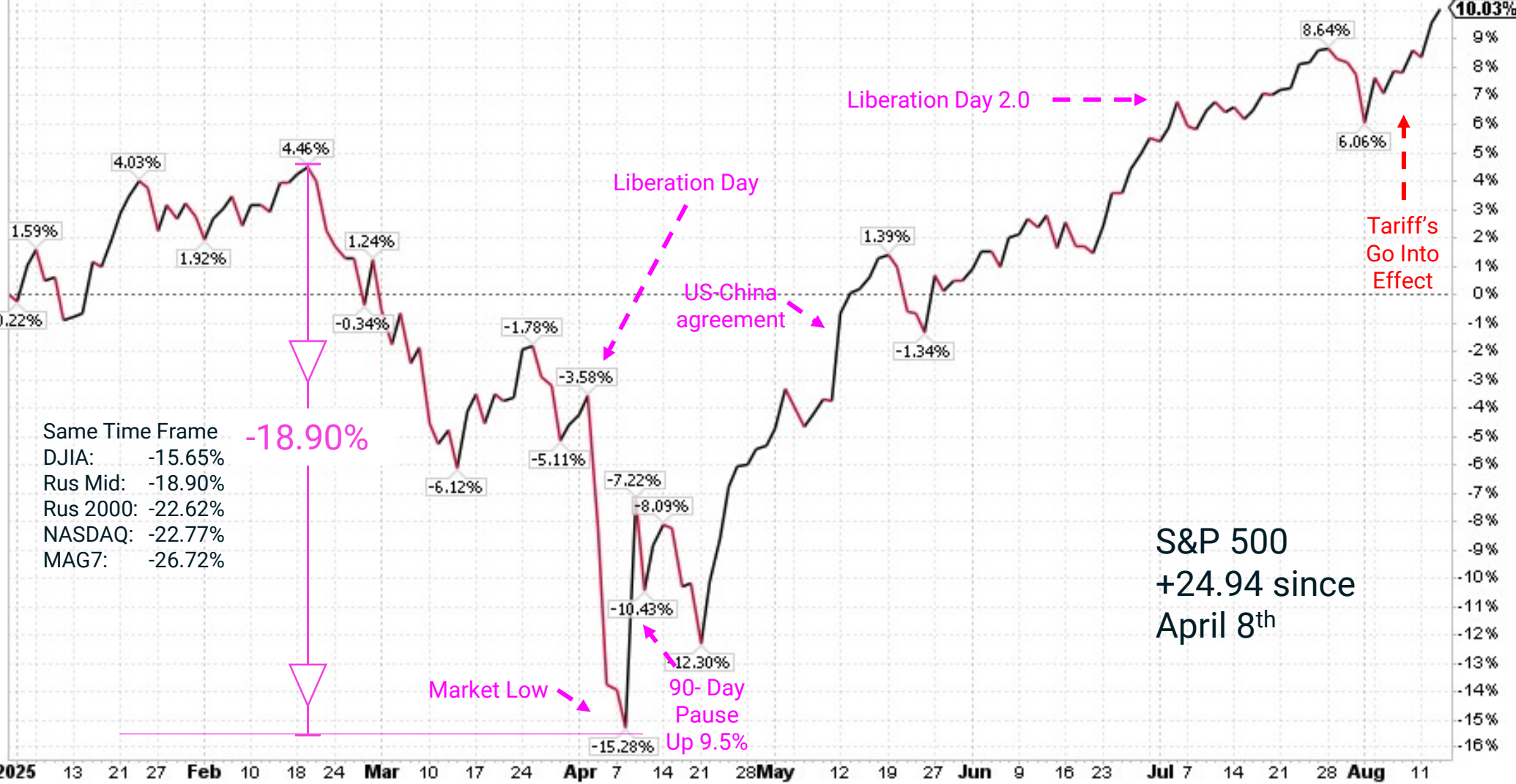
\$SPX S&P 500 Large Cap Index: INDXX

13-Aug-2025 9:33am

© StockCharts.com

Open 6462.67 High 6471.76 Low 6462.67 Last 6471.37 Chg +25.61 (+0.40%) ▲

— \$SPX (Daily) 10.03%



# 10-Yr. Treasury Yields

**\$TNX** CBOE 10-Year US Treasury Yield INDX  
12-Aug-2025

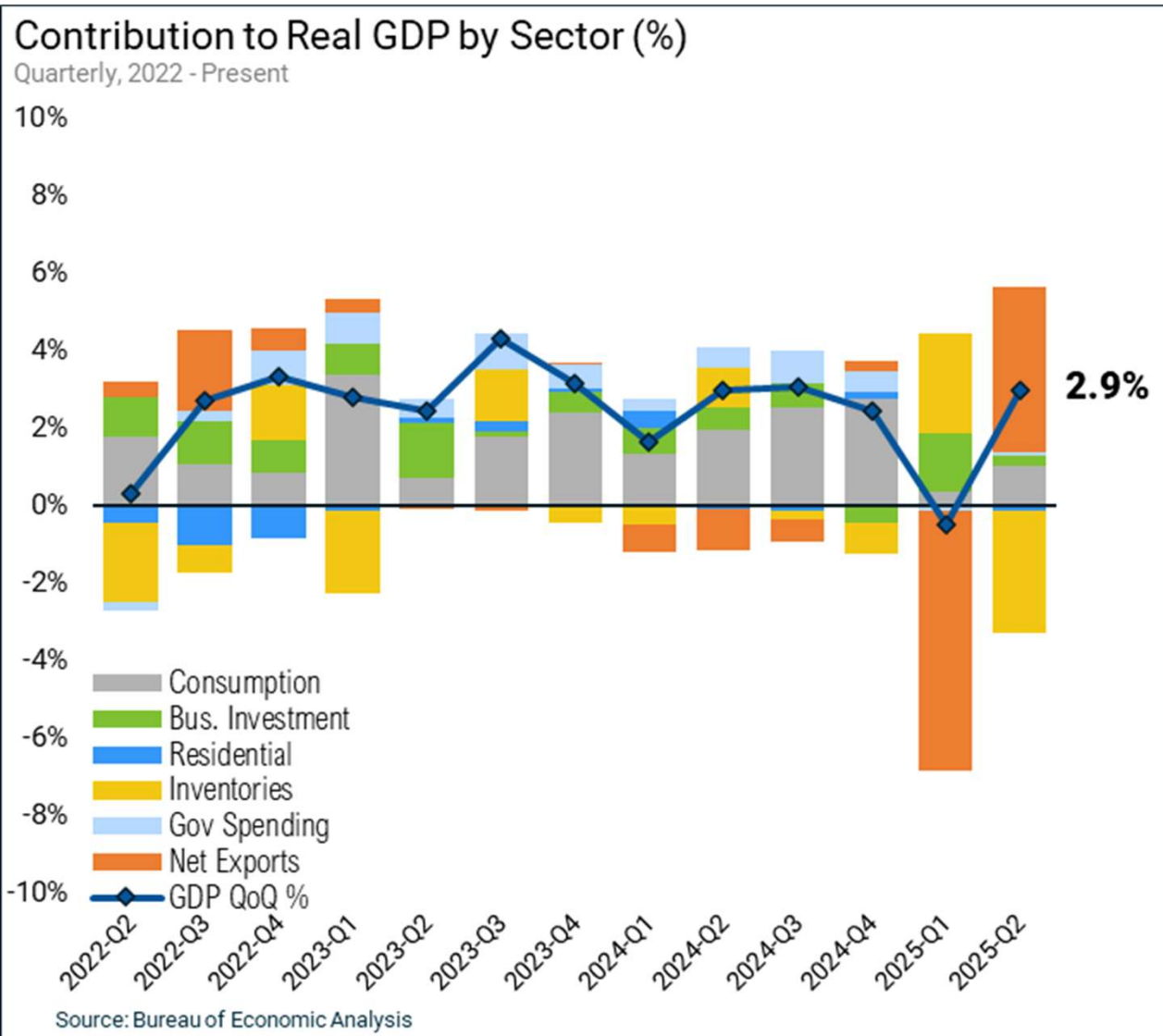
© StockCharts.com

Open 42.93 High 43.18 Low 42.46 Close 42.93 Chg +0.20 (+0.47%) ▲

— \$TNX (Daily) 42.93  
— MA(200) 43.84



# What To Take Away From the GDP Report



## Headline Rebound

- Tariff front-running created the rebound

## Underlying Weakness

- Consumer spending gained 1.4%, better than last quarter, but weak compared to history

## Domestic Demand is Softening

- Real final sales to domestic purchasers has been on a down trend
- 2Q was 1.2% compared to 1.9% previous

## What's Driving the Slowdown?

- Housing market remains in stasis
- Weak growth in employment
- Deceleration in wage growth = soft consumption

# Current State of Tariffs

- **Finally in Effect**
  - Tariffs were implemented August 7<sup>th</sup>
  - Tariff revenue hit \$29.6 Billion last month
- **Any New Deals?**
  - Agreement reached with the EU
  - China talks still ongoing
  - Deals are opening markets to U.S. goods
- **Expected Impacts**
  - The effective tariff rate is expected to be between 17-18%
  - Inflation still expected to peak between 3-3.5% by early 2026
  - A slowdown is still expected
- **Are we Done With Tariffs???**
  - Short answer...maybe
  - Trump could remove tariff exemptions
    - Copper & Pharmaceuticals are recent examples
    - Computer chips have been named
  - What would cause it...companies taking too long to move production



# Who is Paying the Tariffs?

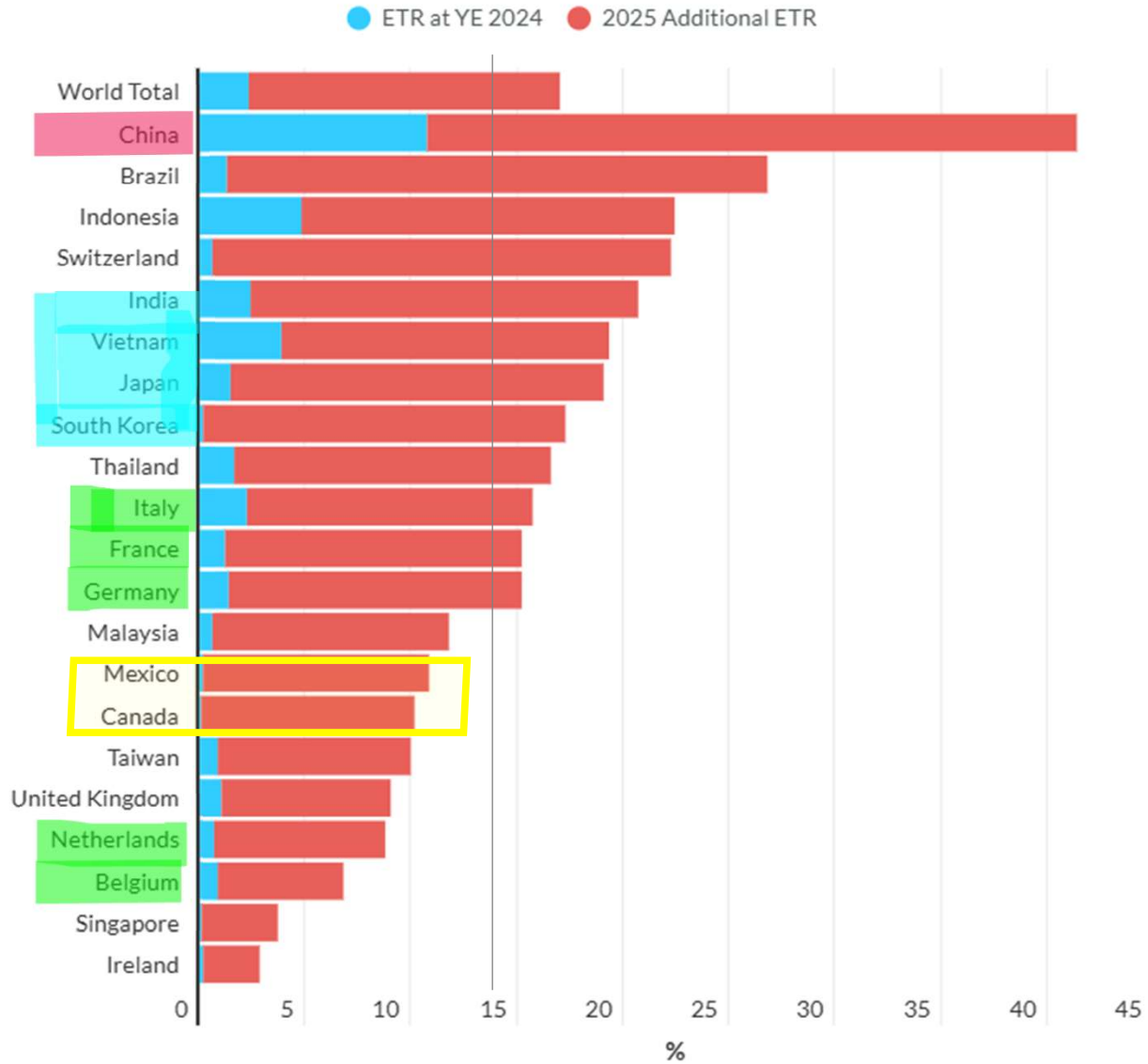


Source: [MarketWatch](#) reference study by Goldman Sachs, Aug. 11, 2025

# Current State of Tariffs

## U.S. Effective Tariff Rate by Country

Major trading partners, ordered by 2024 U.S. import amount (USD)



As of Aug. 1, 2025

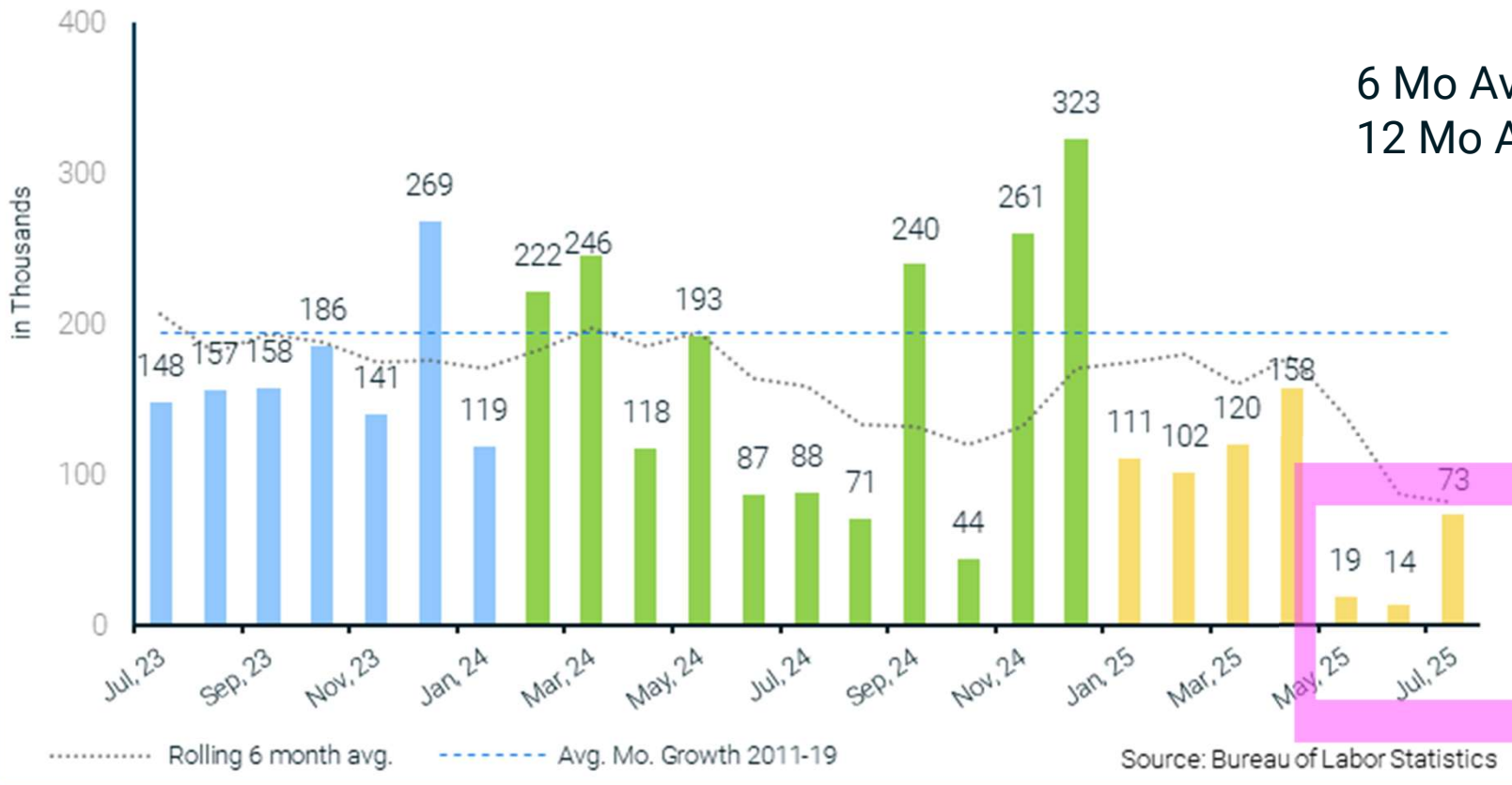
Source: Fitch Ratings, U.S. Census

FitchRatings

# July Jobs Report and Revisions

## Total Monthly Job Growth: Nonfarm Payrolls

May 2023 to Present



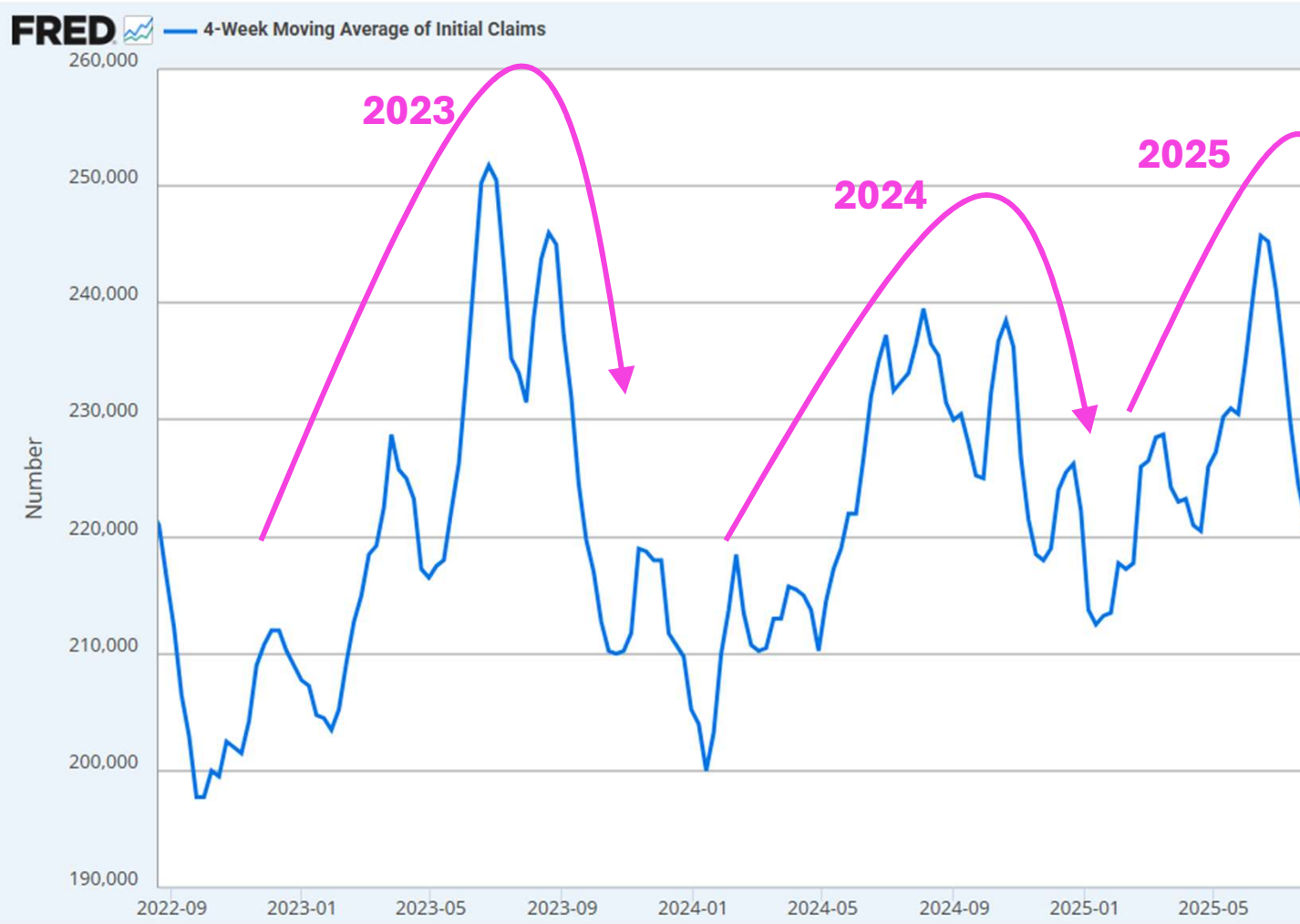
**Revised Down 258,000**

6 Mo Avg: 81k

12 Mo Avg: 128K

Source: Bureau of Labor Statistics

# Employment – Initial Claims



No Genuine Sign of a Layoff Cycle

# Employment – Those on Unemployment >27 Weeks



Some concern that job creation is on hold.

# Employment – Regional Data

## Regional PMIs Employment

June 2004 to Present



Shaded areas: U.S. recessions

Source: Federal Reserve Bank of five respective districts

Jobs Numbers are weak,  
but **not recessionary!**

Employment dragged  
down by Kansas &  
Richmond Feds

# Where is the Fed Headed?

## Fed's Stance on July 30<sup>th</sup>

- “*Well-positioned*”...“*wait-and-see*” approach...“*not as restrictive as last year*”
- Waiting for clarity on tariffs and their effects
- *Healthy labor markets* allows for more time to wait and see.

## Conflicts & Criticism

- Michelle Bowman and Christopher Waller favored a rate cut last month
  - First Dissent by Fed members *since 1993*
- The Fed is *teetering on the edge of a tipping point* in the economy
- Labor market at very concerning levels, they can't stop inflation, and housing continues to suffer

## What Will the FOMC do?

- September rate cut is expected...could we see a 50bps cut like last year??
- Fed will release the third Summary of Economic Projections in September



# The Shadow Fed

- **New Developments**
  - Adrianna Kugler *resigned on August 8<sup>th</sup>*
  - **Stephen Miran** appointed as her replacement...unlikely to be Powell's successor
- **What Does This Mean?**
  - Miran will likely add to the support for more rate cuts
  - Could see more unique views on monetary policy...Mar-a-Lago Accord??
  - Potential for increased political influence at the Fed
- **Who is Being Considered?**
  - Kevin Warsh, Former Fed Governor
  - Kevin Hassett, Director of the National Economic Council



# How the Committee Looks Now

## 2025 Committee Members

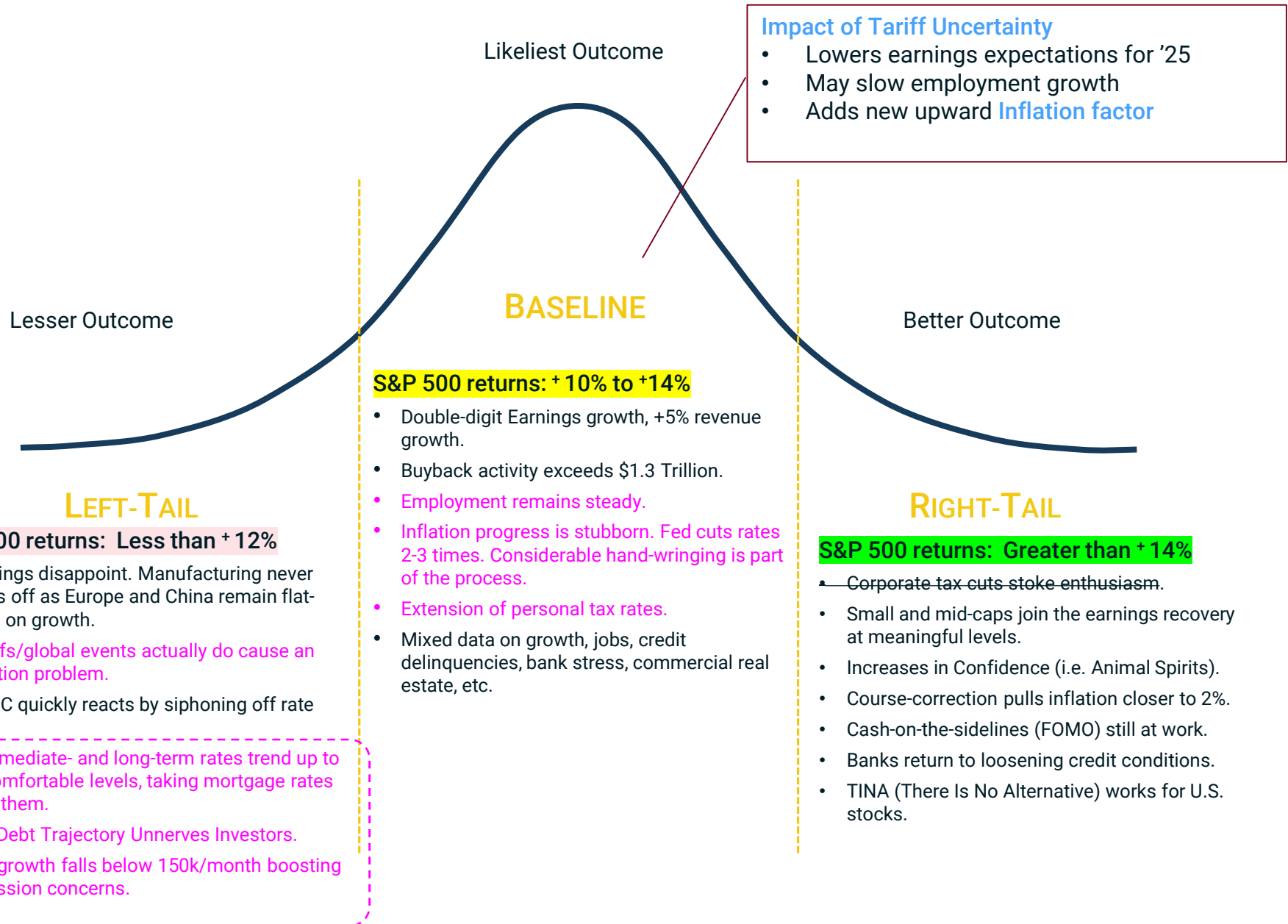
- [Jerome H. Powell](#), Board of Governors, Chair
  - [John C. Williams](#), New York, Vice Chair
  - [Michael S. Barr](#), Board of Governors
  - [Michelle W. Bowman](#), Board of Governors
  - [Lisa D. Cook](#), Board of Governors
  - [Philip N. Jefferson](#), Board of Governors
  - [Christopher J. Waller](#), Board of Governors
  - [Empty: Stephen Miran](#), Board of Governors
- 
- [Susan M. Collins](#), Boston
  - [Austan D. Goolsbee](#), Chicago
  - [Alberto G. Musalem](#), St. Louis
  - [Jeffrey R. Schmid](#), Kansas City

## Non-Voting Members

- [Neel Kashkari](#), Minneapolis
- [Mary Daly](#), San Francisco

# Macro 2025 Outlook

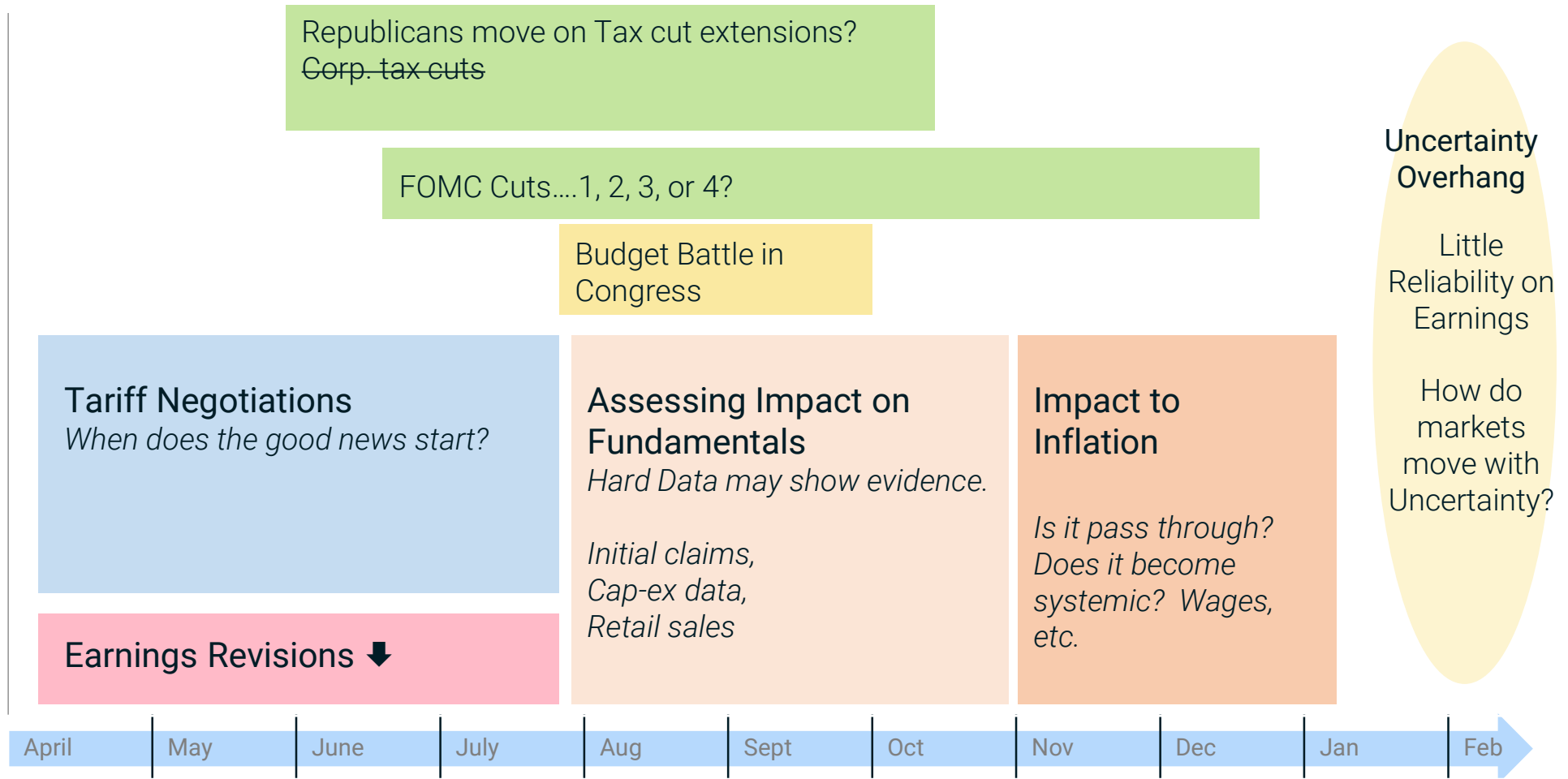
## Outlook on U.S. Stocks

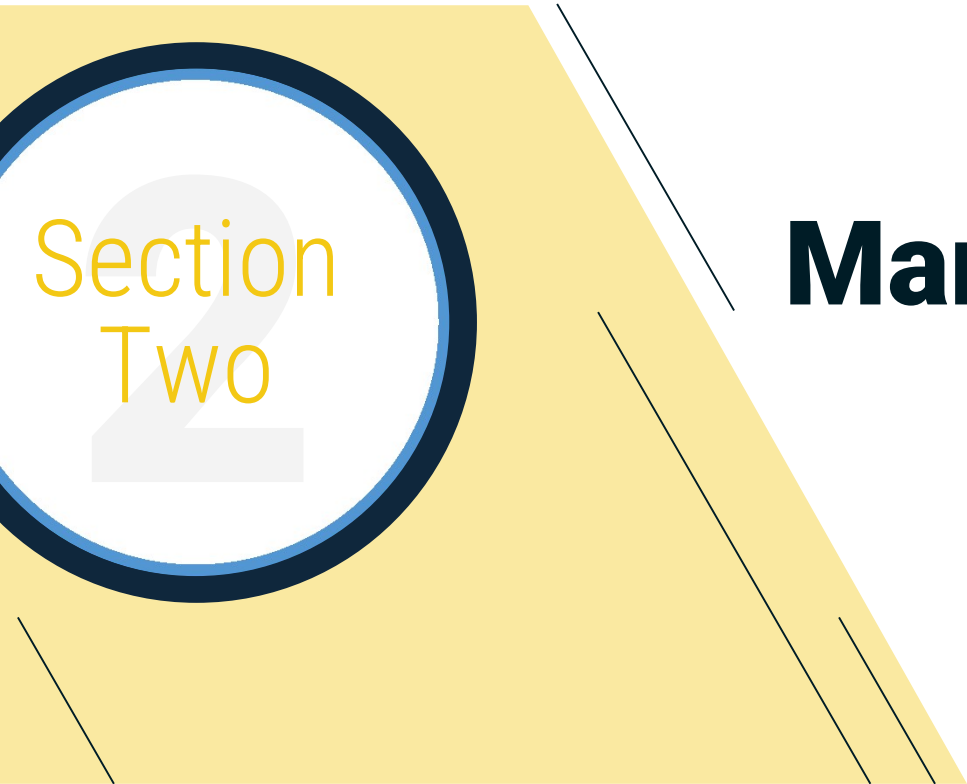


# Future Timeline... What's coming

Key Developments Expected for the Year

Looking thru the headwinds into an improving 2026?



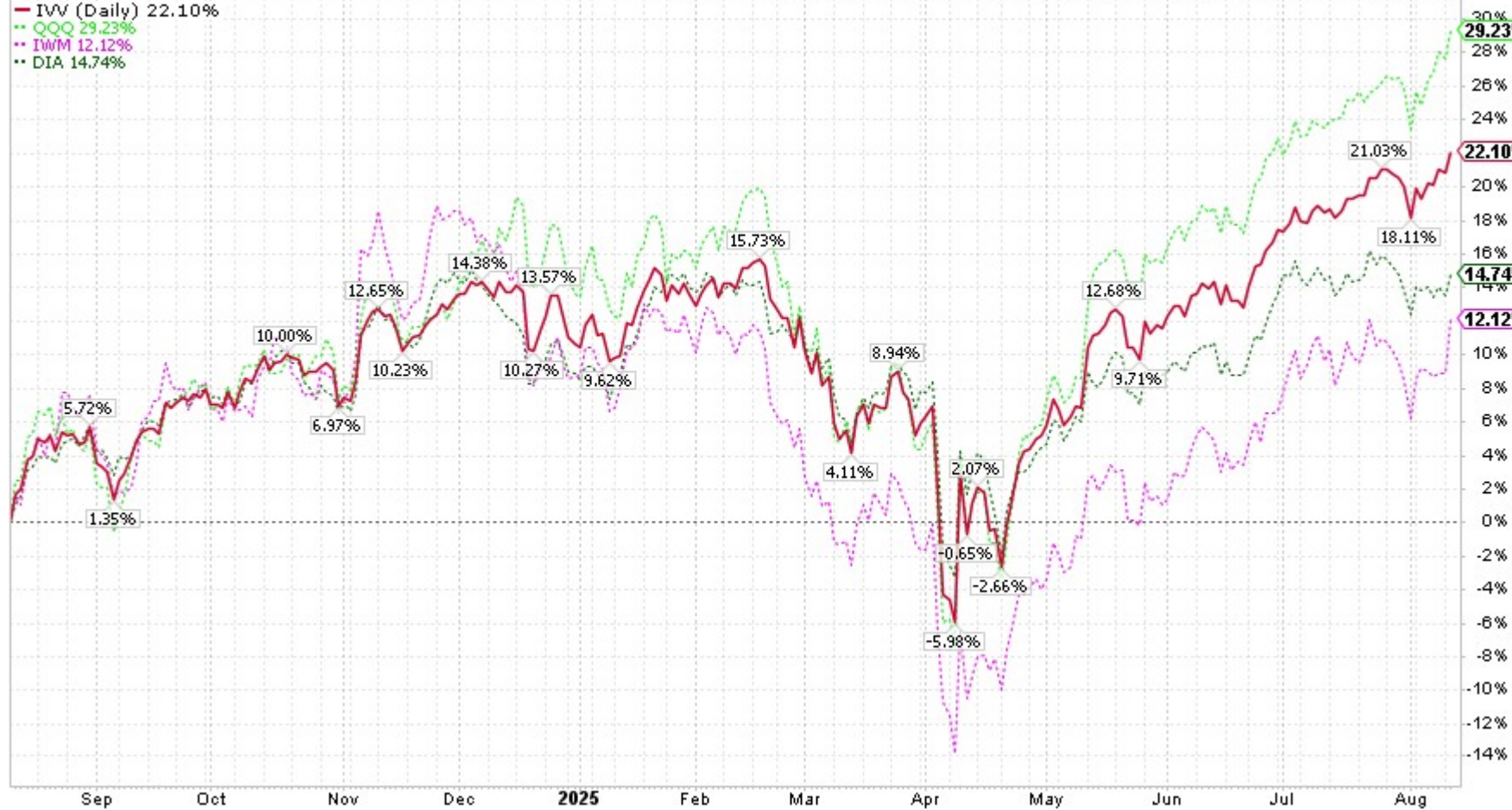


# Market Leadership

# The Correction - 1 Year

IVV iShares Core S&P 500 ETF NYSE  
12-Aug-2025

Open 641.37 High 645.99 Low 639.91 Close 645.74 Volume 4.5M Chg +6.76 (+1.06%)



QQQ: 29.23%

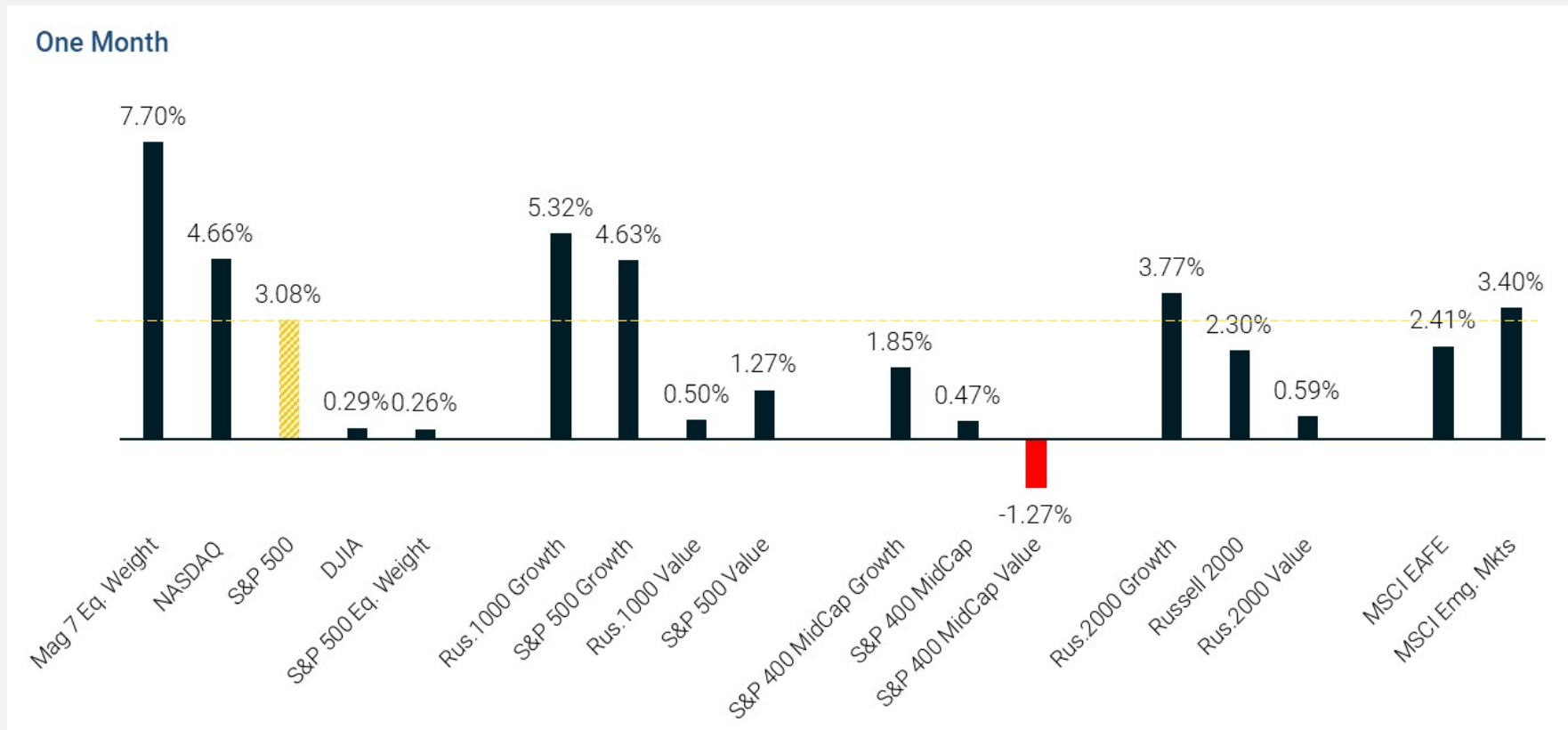
S&P 500:  
22.10%

DJIA:  
14.74%

R2000:  
12.12%

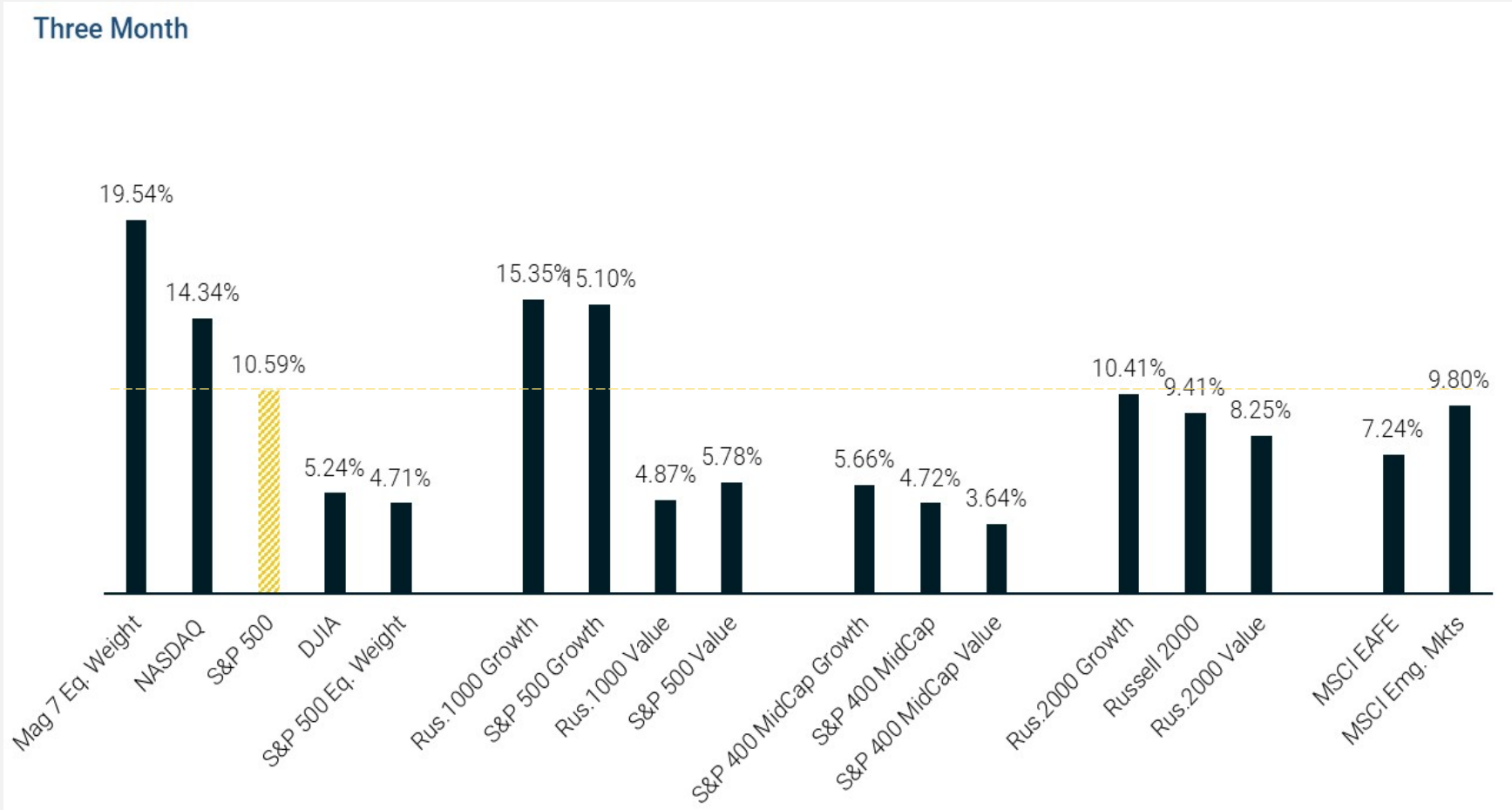
# Major Asset Classes: Equities

1 Month



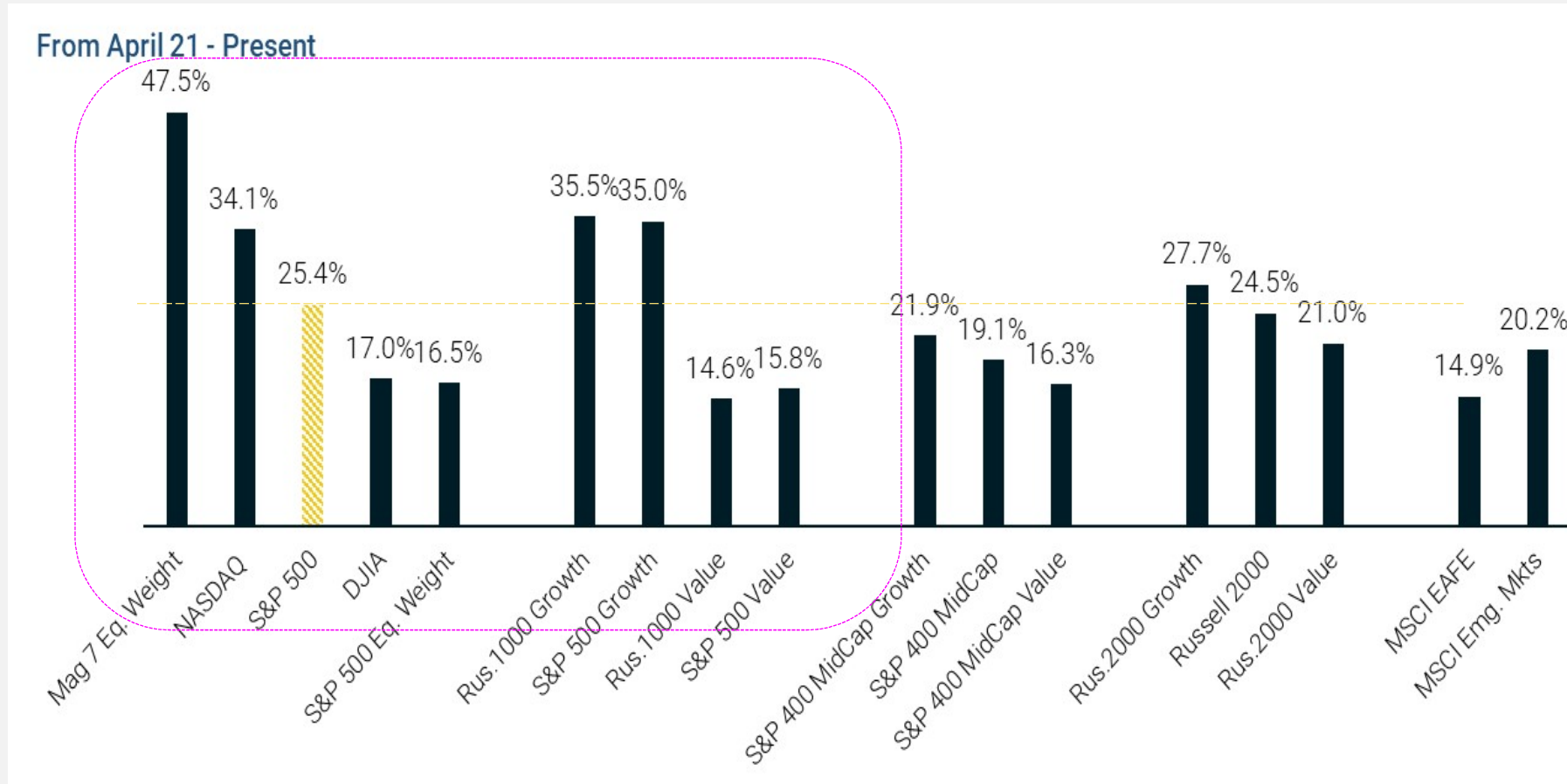
# Major Asset Classes: Equities

3 Months



# Major Asset Classes: Equities

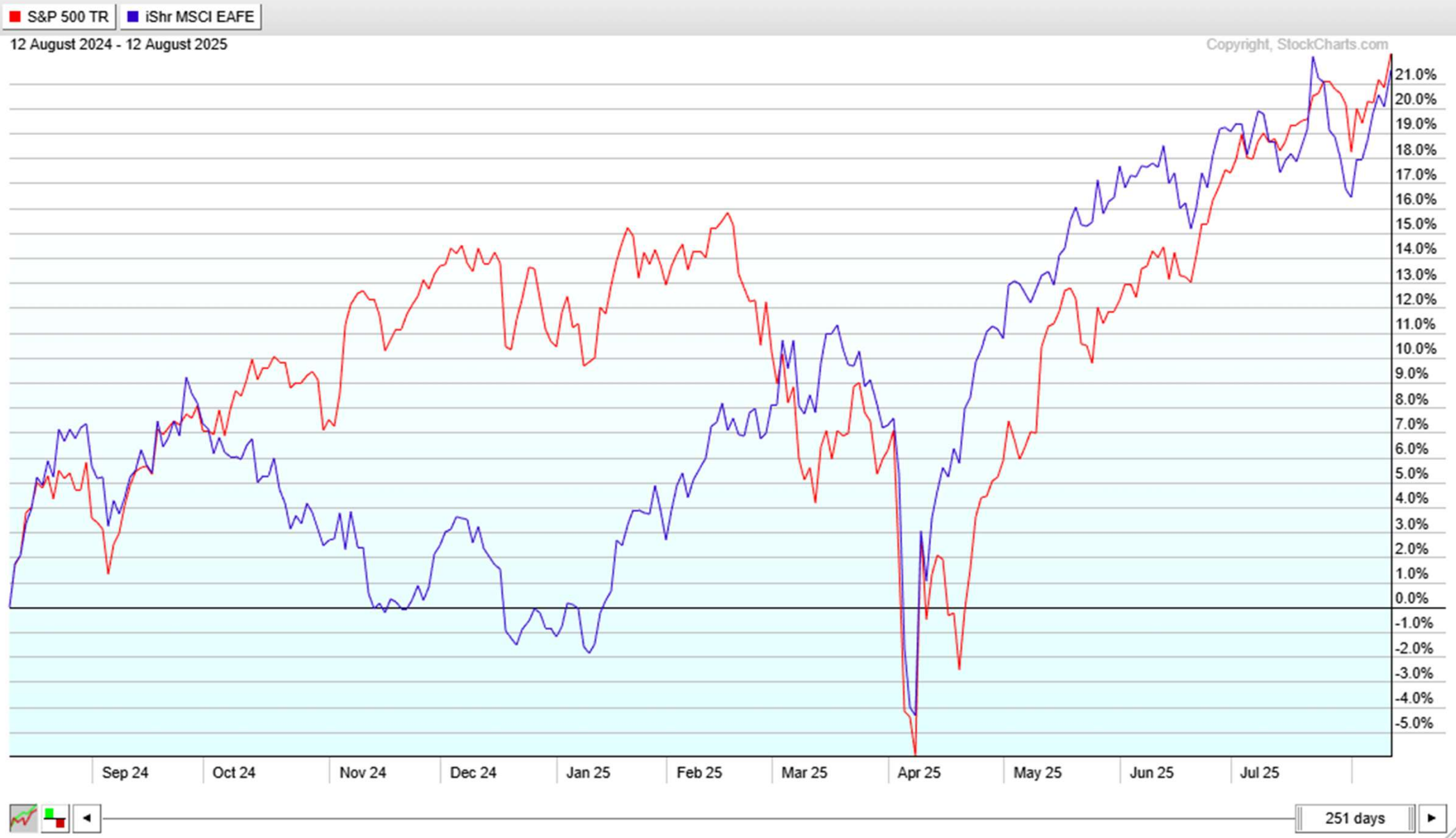
From April 21<sup>st</sup>

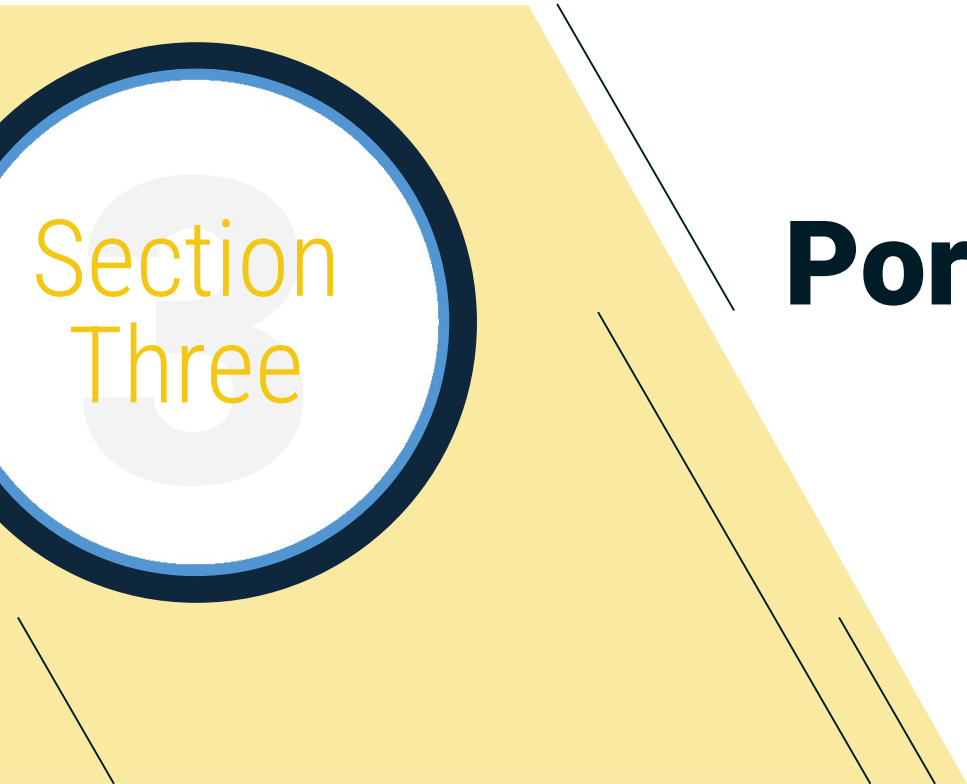


# US vs EAFE – Theme of U.S. Exceptionalism



# US vs EAFE – Theme of U.S. Exceptionalism





# Portfolios

# Portfolio Positioning Summary

## EQUITIES

---

- Remain consistent with the **expansion**.
- **Re-anchor to benchmarks**
- Own healthy portions of mega-cap U.S. stocks without overconcentrating.
- **Added growth fund for future outlook**
- **U.S.** still look prospectively **better than foreign** stocks.

## FIXED INCOME

---

- Focus more on **short-duration exposures** where declining rates are a more certain probability.
- Emphasis on **high quality bonds** for safety
- **Re-anchoring to benchmarks**
- Still maintains a fair amount of **securitized asset exposure**.

# Q & A

# Portfolio Analysis

Adaptive Portfolios	Annualized							Morningstar® Comparative Benchmark
	One Month	Three Month	Year To Date	One Year	Three Years	Five Years	Ten Years	
<b>A1 Adaptive Lim. Dur. Inc.</b>	0.20	0.84	1.14	4.32				
<i>Estimated Category Ranking</i>	15th	68th	100th	93rd				
<i>Category Median Return</i>	0.10	1.09	3.38	5.21				Short-Term Bond
<b>**A2 Conservative Income</b>	0.34	3.02	1.28	4.77				
<i>Estimated Category Ranking</i>	14th	60th	99th	77th				Morningstar Global Conservative
<i>Category Median Return</i>	0.06	2.94	4.71	5.73				
<b>A3 Conservative Moderate</b>	0.61	5.44	0.86	4.84	6.81	5.92	5.83	
<i>Estimated Category Ranking</i>	9th	21st	99th	92nd	35th	13th	4th	Morningstar Global Moderate Conservative
<i>Category Median Return</i>	0.24	4.99	6.27	7.32	6.39	4.80	4.62	
<b>A4 Flexible Low Vol</b>	1.09	7.69	1.42	6.00	8.89	8.02	7.19	
<i>Estimated Category Ranking</i>	4th	17th	97th	93rd	42nd	22nd	9th	Morningstar Global Moderate
<i>Category Median Return</i>	0.24	6.53	8.01	9.05	8.39	7.37	5.72	
<i>Estimated Category Ranking</i>	33rd	43rd	78th	55th	31st	28th	16th	Morningstar Tactical
<i>Category Median Return</i>	0.88	7.33	4.47	6.17	7.07	6.47	4.97	
<b>A5 Moderate Growth</b>	1.57	10.86	5.99	11.06	10.91	9.03	7.67	
<i>Estimated Category Ranking</i>	7th	1st	90th	17th	8th	16th	5th	Morningstar Global Moderate
<i>Category Median Return</i>	0.24	6.53	8.01	9.05	8.39	7.37	5.72	
<b>A6 Growth</b>	1.55	11.50	5.12	9.48	10.61	9.79	7.70	
<i>Estimated Category Ranking</i>	6th	6th	98th	77th	44th	30th	44th	Morningstar Global Moderate Aggressive
<i>Category Median Return</i>	0.40	8.58	9.55	10.89	10.42	9.70	7.44	
<b>A7 Core Equity</b>	1.86	12.73	6.02	12.01	12.28	11.36	8.65	
<i>Estimated Category Ranking</i>	1st	7th	100th	44th	34th	31st	49th	Morningstar Global Aggressive
<i>Category Median Return</i>	0.60	9.79	9.36	12.16	12.22	10.78	8.58	

# Portfolio Analysis

Strategic Portfolios					Annualized		Morningstar® Comparative Benchmark
	One Month*	Three Month*	Year To Date	One Year	Three Years	Five Years	
<b>**S5 Strategic Mod. 60/40</b>	1.54	9.81	5.99	10.85			
<i>Estimated Category Ranking</i>	1st	1st	89th	19th			M* Global Moderate
<i>Category Median Return</i>	0.24	6.53	8.01	9.05			
<b>S6 Strategic Growth 80/20</b>	1.71	11.18	6.09	11.49			
<i>Estimated Category Ranking</i>	4th	6th	96th	31st			M* Global Mod Aggress
<i>Category Median Return</i>	0.40	8.58	9.55	10.89			
<b>S7 Strategic Core</b>	3.17	16.45	9.33	15.95			
<i>Estimated Category Ranking</i>	1st	1st	48th	6th			M* Global Aggressive
<i>Category Median Return</i>	0.60	9.79	9.36	12.16			

# Fund Performance: Stock

Equities		One Month*	1Mo Rnk	Two Month	Three Month*	3 Mo Rnk	6M	6 Mo Rnk	YTD	YTD Rnk	1Y	1Y Rnk
IVV	iShares Core S&P 500 ETF	3.08%	34	7.55%	10.59%	30	7.19%	23	10.38%	30	16.32%	23
LRGF	iShares US Equity Factor ETF	3.10%	30	7.38%	9.96%	50	6.42%	46	10.94%	19	17.38%	11
USMV	iShares MSCI USA Min Vol Factor ETF	0.10%	97	-0.61%	0.34%	99	0.68%	96	5.29%	91	8.13%	95
NTSX	WisdomTree US Efficient Core Fund	5.42%	1	7.03%	11.77%	9	9.17%	12	12.23%	26	15.00%	13
FELC	Fidelity Enhanced Large Cap Core ETF	3.53%	18	6.61%	10.56%	34	6.68%	39	9.31%	56	14.66%	42
CGGR	Capital Group Growth ETF	3.95%	50	9.36%	13.76%	41	7.89%	43	14.07%	16	27.29%	14
QUAL	iShares MSCI USA Quality Factor ETF	1.83%	79	4.21%	6.41%	84	2.29%	91	5.61%	90	8.31%	89
moat	VanEck Morningstar Wide Moat ETF	0.68%	91	8.01%	6.92%	82	6.01%	53	4.80%	92	7.49%	93
DYNF	iShares US Equity Factor Rotation Active ETF	4.14%	6	8.16%	11.87%	12	8.42%	10	12.20%	7	19.82%	4
FMDE	Fidelity Enhanced Mid Cap ETF	1.77%	27	5.25%	5.97%	31	4.18%	19	7.57%	16	15.18%	12
XSMO	Invesco S&P SmallCap Momentum ETF	2.76%	23	3.34%	7.60%	39	4.53%	8	7.41%	5	2.21%	9
IWF	iShares Russell 1000 Growth	5.32%	15	10.37%	15.35%	19	9.89%	21	12.36%	35	23.52%	24
PTLC	Pacer Trendpilot US Large Cap ETF	3.05%	37	7.37%	8.29%	72	-4.10%	99	-1.29%	99	3.70%	95
RWL	Invesco S&P 500 Revenue ETF	0.55%	63	3.50%	4.80%	73	3.80%	48	8.44%	40	9.94%	23
RWK	Invesco S&P MidCap 400 Revenue ETF	-1.41%	93	6.52%	6.25%	21	2.52%	59	4.56%	55	3.70%	30
GARP	iShares MSCI USA Quality GARP ETF	2.74%	75	8.06%	11.42%	64	6.85%	61	10.98%	52	20.37%	48

# Fund Performance: Fixed Income

Fixed Income		One Month*	1Mo Rnk		Three Month*	3 Mo Rnk	6M	6 Mo Rnk	YTD	YTD Rnk	1Y	1Y Rnk
hyg	iShares iBoxx \$ High Yield Corporate Bond ETF	0.97%	48	2.49%	2.83%	60	4.37%	30	5.73%	24	8.49%	21
IBHG	iShares iBonds 2027 Term High Yield and Income ETF	0.67%	87	1.85%	1.83%	97	3.54%	79	4.74%	62	7.85%	57
HYS	PIMCO 0-5 Year High Yield Corporate Bond Index ETF	1.28%	26	2.66%	3.13%	55	4.08%	55	5.58%	48	8.60%	18
ICVT	iShares Convertible Bond ETF	2.25%	9	6.88%	6.82%	48	6.24%	53	10.39%	36	17.93%	25
M:DBLIX	DoubleLine Income Fund I	1.15%	46	-26.74%	2.75%	66	3.66%	70	4.54%	65	7.69%	13
JAAA	Janus Henderson AAA CLO ETF	0.52%	62	1.39%	1.55%	27	2.28%	64	3.06%	28	5.74%	9
M:DHEIX	Diamond Hill Short Duration Securitized B Fd I	0.83%	37	-30.10%	2.31%	21	3.74%	28	4.69%	5	7.85%	4
M:GILHX	Guggenheim Limited Duration Fund Institutional	0.69%	70	-29.33%	1.82%	69	3.21%	66	3.71%	64	5.39%	34
ISTB	iShares Core 1-5 Year USD Bond ETF	0.85%	37	1.29%	2.06%	37	3.87%	25	4.23%	28	5.22%	53
USTB	VictoryShares Short-Term Bond ETF	0.70%	65	0.98%	1.98%	42	3.39%	45	3.93%	39	5.67%	22
JSCP	JPMorgan Short Duration Core Plus ETF	1.05%	21	1.37%	2.34%	22	4.05%	18	4.50%	14	5.70%	18
TBUX	T Rowe Price Ultra Short-Term Bond ETF	0.53%	25	0.87%	1.59%	24	2.75%	11	3.34%	16	5.55%	15
M:GIOIX	Guggenheim Macro Opportunities Fund Institutional	0.75%	57	-47.76%	2.57%	51	3.73%	34	4.60%	34	7.11%	22
M:dheix	Diamond Hill Short Duration Securitized B Fd I	0.83%	37	-30.10%	2.31%	21	3.74%	28	4.69%	5	7.85%	4
TFLO	iShares Treasury Floating Rate Bond ETF	0.35%	85	1.09%	1.13%	85	2.10%	88	2.66%	82	4.67%	79
M:EIBAX	Eaton Vance Total Return Bond Fund I	1.47%	2	-49.66%	3.35%	2	5.27%	5	5.91%	4	5.64%	4
M:GIBIX	Guggenheim Total Return Bond Fund Institutional	1.27%	35	-43.61%	3.07%	12	4.82%	11	5.17%	13	5.08%	7