



Old Port Advisors

Est. 1994

Partners for a Secure Future

2ND QUARTER
2025

VIEWPOINTS

ADVISORY NEWSLETTER

MARKET COMMENTARY

BY FREDRIC W. WILLIAMS

UNCERTAINTY: THE “NEW” NORMAL...

“Einstein, James Dean, Brooklyn’s got a winning team, Davy Crockett, Peter Pan, Elvis Presley, Disneyland Bardot, Budapest, Alabama, Khrushchev, Princess Grace, Peyton Place, Trouble in the Suez”

“We didn’t start the fire... It was always burning, since the world was turning...We didn’t start the fire. No, we didn’t light it, but we tried to fight it”
1989 - Billy Joel,

Back in early 1989, a recently minted 40-year-old Billy Joel was in a recording studio listening to a much younger Sean Lennon lament about how tough it was to be a 21-year-old at that time, when compared to the 1950’s of Mr. Joel’s youth. To which “We Didn’t Start the Fire” had its genesis (as his historical, and educational, retort), being released as part of “Storm Front”, which then received a Grammy nod for record of the year.

As the litany of events and personalities highlighted in the lyrics points out, there’s always a lot of “stuff” going on in our world to be concerned about. The challenge for prudent investors is to compartmentalize the short-term noise of current events and continue to focus on the longer-term fundamentals which have provided the needed sea-anchor to windward that can keep one on course during periods of rough weather...which we may arguably be currently experiencing.



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In today's climate of political and economic uncertainty, investor behavior is increasingly influenced by psychological biases and emotional responses. This environment, marked by volatile markets and unpredictable policy shifts, challenges traditional investment strategies and underscores the importance of understanding behavioral finance principles. Periods of uncertainty often trigger emotional reactions, leading investors to make impulsive decisions that can negatively impact long term portfolio returns.

To be clear, there's plenty – as always – to be concerned about, but as Detective Joe Friday admonished us to focus on in *Dragnet*, we're best to just stick with the facts.

"Investors fearful that the proposed tariffs could pitch the economy into recession had a new concern as the quarter unfolded. The "One Big Beautiful Bill Act" signed by the president on July 4 likely will trigger severe escalation in the U.S. deficit over the coming decade, as spending reductions in safety-net programs are insufficient to pay for new and renewed tax cuts, higher defense spending, and higher immigration-enforcement spending."

"Despite the familiar threat of tariffs and new concerns about U.S. deficits, stocks rallied in 2Q25. Sharp 1Q25 earnings growth underscored the strengths of corporate America. Jobs growth and unemployment surprised to the upside, signaling that fully employed consumers could withstand current challenges."

"With the consensus being no consensus, and with normal business planning being replaced by ad hoc approaches that flex based on day-to-day realities, investors are left to do what they always do: parse the economic data (perhaps a little more carefully) and listen to Fed-speak (though perhaps a little more closely).

- Argus Research; June/July 2025

And strive to rise above our multi-media-flooded, sound-bite-swamped world to retain perspective, rather than reacting to every bit of minutiae that one's assorted news feeds throw at you.

"Economic news is increasingly hard to follow these days, mainly because it changes so fast and gives so many mixed signals. Less than three months ago, we were all in shock from President Trump's "Liberation Day" tariff announcement. While he paused the worst parts of that plan, US import taxes are still at their highest point in decades. Yet now the headlines are more about oil and geopolitics. It turns out most of the news is just noise. The markets aren't significantly different from where they were 90 days ago."

-John Mauldin, June 28, 2025 – Mauldin Economics



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In response to this uncertainty, strategic diversification across asset classes, geographies and currencies becomes crucial as a risk mitigation tool. Tweaking the traditional U.S.-centric equity/bond mix to include foreign stocks and bonds has provided a positive lift to portfolios thus far in 2025. Likewise, we look at alternative allocations, like metals and materials to provide hedges against the risk of a weakening dollar, while we continually seek value-oriented investments globally.

Remember that during periods of heightened emotions there's never a "perfect" time to invest – just refrain from thinking you have been the hare in some sort of frenetic race and instead embrace your inner tortoise to remain focused on steady, longer-term success.

"In investing, what is comfortable is rarely profitable."

-Robert Arnott

CAPITAL MARKETS OVERVIEW

OPA Investment Policy Committee

Financial markets abhor uncertainty. They do not react well to surprises, as was demonstrated at the start of the second quarter of 2025. On April 2, the administration announced indiscriminate tariffs: a baseline 10% on nearly all imports and higher rates targeting specific countries. These are taxes that will be passed down to U.S. consumers. As will be discussed later in this piece.

In response to the tariffs, the global stock and bond markets suffered an epic, across the board bloodbath. U.S. stocks experienced their largest single-day drop since the onset of the COVID-19 pandemic in 2020, with the Dow Jones Industrial Average losing over \$6 trillion in market value.

Panic spread into the U.S. Treasury market, the 10-year Treasury yield saw its largest weekly increase since 2001, rising from 4.0% to 4.5% while the longer-term 30-year yield jumped from 4.4% to 4.9%, its largest five-day rise since April 1987. In response to the judgement of the global financial markets, the administration simply delayed the implementation of the taxes by 90 days, a somewhat expected reaction from the President.

Despite the 20% drawdown to start the quarter, U.S. large-cap stocks, as measured by the S&P 500 Index, ended the second quarter up 10.9%, marking a new record high. U.S. small-cap stocks gained 8.5%.

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The large-cap rally showed signs of strength broadening beyond the Magnificent Seven. Year-to-date, the S&P 500 has gained 5%, while the Bloomberg Magnificent 7 Index (Apple, Alphabet, Amazon, Microsoft, Meta, Nvidia, and Tesla) rose only 2% in the first six months of 2025. More stocks participating in an advance is always better than a narrow leadership.

U.S. small-cap stocks ended June up 8.5% and remain in the red year-to-date (down 1.8%). International equity markets outperformed their U.S. counterparts in the second quarter. International developed-market large-cap stocks ended the quarter up 12.1%. International developed small-cap stocks gained 16.9% over the quarter, making them the top-performing major asset class.

U.S. intermediate-term bonds gained 1.2% in the quarter. After rising to 4.6% in mid-May (following the Moody's U.S. credit downgrade), the 10-year U.S. Treasury yield ended June at 4.2%. The spread between the 10-year and 2-year Treasury yields remained positive throughout the quarter, ending June at 0.5%.

Gold, which ended the quarter up 5%, reached a record high of \$3,448 on June 16, following the Israel-Iran conflict, reaffirming its safe-haven status. Despite conflict in the Middle East, West Texas Intermediate (WTI) crude oil prices declined by 9% over the quarter, dropping from \$71.5 per barrel to \$65.1 per barrel by the end of June.

While the constant confusion over tariffs and global trade have dominated financial market concerns during the second Trump term, his ongoing personal battle with Fed Chair Jerome Powell, whom the President of the U.S. labeled a "knucklehead", has been another source of anxiety. Trump floated a trial balloon to fire

Powell but backed off when he met resistance. Powell's became Federal Reserve Chair in February 2018, appointed by Trump. He quickly implemented tighter monetary policy while also navigating a period of economic expansion, doing a solid job controlling inflation. The president has been railing against Powell for months as the central bank has refused to cut the federal funds rate as quickly as the president wants. To quote the president, "Fed should cut Rates by 3 Points. Very Low Inflation. One Trillion Dollars a year would be saved!!!" It is far from that simple.

Recent inflation figures show that Chair Powell has good reason to hold rates steady. Inflation inched higher in June as the consumer price index rose 2.7%. Core inflation, which removes the more volatile cost of food and energy, also inched up a tenth of a percentage point to 2.9%. We can all agree that this is low inflation. The problem for Trump is the direction not the magnitude of the change. Inflation rose by 30 basis points. The speed of the rise was "the fastest this century," according to UBS.

There is reason to believe this is just the beginning of the effects of Trump's tariffs on consumer prices. The consensus view is that even with the current Administration pausing or reducing the "Liberation Day" levies announced on April 2, inflation is likely to climb to at least 3% this year. Several factors, including a lack of significant gains in auto prices, ample inventories, and price-sensitive consumers, are masking the extent of the shift. As the inventories built up before tariffs took effect are drawn down, Americans are likely in for more pain.

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The recently passed budget reconciliation bill holds many surprises in addition to the estimated \$3.3 trillion it will add to the federal deficit over the next decade (according to the Congressional Budget Office). The Tax Cuts and Jobs Act (TCJA) provisions have been extended, removing one variable. Funds for Medicaid, food stamps, public schooling, and other social safety net programs will be reduced to offset the tax cuts.

There are reasons to be extremely cautious going into the second half of 2025. The greatest threats to stability have come from the White House, but there are also wars in the Middle East and Ukraine, with the accompanying tension.

Equity markets are priced for near perfection. The financial sector was punished after growth in the industry was less than expected. There is also a big question as to the unflinching vigor of the U.S. consumer. In the first half of 2025, the U.S. collected \$97 billion in tariff revenue, equal to the total annual revenue in 2024. That money will, for the great majority, be paid by the U.S. consumer. The result is indistinguishable from a sales tax. That is a big hurdle to overcome. Some inside the box thinking would go a long way to calm the waters.

Index Returns			
Equities	<i>Percentage Change for the 2nd Quarter</i>	<i>Percentage Change for the Year</i>	<i>Annualized 10-Year Returns</i>
S&P 500	10.94%	6.20%	13.65%
MSCI EAFE*	11.78%	19.45%	6.51%
MSCI Emerging Markets*	11.99%	15.27%	4.81%
Bloomberg Commodity Index TR	-3.08%	5.53%	1.99%
FTSE NAREIT Equity REIT Index	-1.16	-0.25%	6.32%
Fixed Income			
Bloomberg Barclays U.S. Aggregate Bond	1.21%	4.02%	1.79%
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond	0.48%	4.67%	2.67%

Source: BlackRock, Bloomberg, FTSE™, NAREIT®, YCharts

*Returns are calculated with net dividends in USD

Index returns are for illustrative purposes only and do not represent actual performance of any investment. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

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SECURE ACT 2.0's NEW ROTH CATCH-UP CONTRIBUTION RULE

Jake Kenyon, CFP

A significant change is coming for high-income retirement savers. Starting January 1, 2026, individuals aged 50 and older who earned more than \$145,000 in FICA wages from their employer in the prior year will be required to make all 401(k) catch-up contributions on a Roth (after-tax) basis. This rule, stemming from the SECURE 2.0 Act and clarified in proposed IRS regulations earlier this year (REG-101268-24), will limit tax deferral options for many workers approaching retirement.

Fortunately, 2025 is a transition year. This means that those affected by the new rule still have time to make pre-tax catch-up contributions if that better aligns with their tax and retirement planning goals.

Originally set to take effect in 2024, the Roth catch-up requirement was delayed by the IRS until 2026 due to implementation challenges. Its goal is to encourage tax diversification and increase after-tax retirement savings for higher earners.

The rule applies only to individuals with FICA wages exceeding \$145,000 (indexed for inflation) from the employer sponsoring the retirement plan in the prior year. Those below that income level can continue to choose between pre-tax and Roth catch-up contributions - if the plan permits both.



Now that we're into July, the window to take advantage of pre-tax catch-up contributions is closing. For eligible participants, the 2025 limit allows an extra \$7,500 in contributions for those aged 50-59 and 64+ on top of the standard \$23,000 deferral limit. That catch-up amount is even higher at \$11,250 within a newly created age band of 60-63.

If your tax situation today suggests that deferring income is more beneficial than paying taxes now, maximizing your pre-tax catch-up contributions this year could make a meaningful difference. On the other hand, it may be wise to begin planning for a Roth-only future. Especially if you expect your tax rate to rise over time or want more tax-free income in retirement.

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The IRS's proposed regulations offer important clarifications:

- **Narrow Definition of Wages:** Only FICA wages paid by the employer sponsoring the plan are counted toward the \$145,000 threshold. Wages from affiliated companies or within a controlled group are excluded.
- **No FICA Wages = No Roth Requirement:** Individuals who had no FICA wages in the prior year - such as self-employed partners - are not subject to the Roth catch-up rule. There is also no pro-rating for partial-year employees.
- **Universal Availability Requirement:** If a plan allows Roth catch-up contributions for high earners, it must also allow Roth catchups for all other eligible participants. That said, a plan isn't required to offer Roth at all - in which case high earners simply won't be able to make catch-up contributions.

With just under six months remaining in 2025, now is a smart time to revisit your 401(k)-contribution strategy. If you're eligible for catch-up contributions and your income may trigger the new Roth-only rule in 2026, making intentional decisions this year could improve both your short- and long-term tax outlook.

If you'd like to review your eligibility, or have questions regarding pre-tax and Roth strategies, we're here to help you make the most of this transitional year.

-Source: <https://www.govinfo.gov/content/pkg/FR-2025-01-13/pdf/2025-00350.pdf>

PLANNING FOR THE FUTURE

Nan Pendleton

As summer reaches full swing and wedding season is in full bloom, we wanted to take a moment to share some thoughtful insights and practical resources to help ease the transition into one of life's most exciting—and sometimes complex—partnerships.



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Strong partnerships are built on open, honest conversations about expectations, goals, and needs. Financial matters are a central part of any committed relationship and can often be one of the more challenging areas to navigate. That's why we've gathered some simple yet effective tools to help you and your partner avoid common pitfalls and lay the foundation for a successful, secure, and prosperous future together.

Marriage or domestic partnership offers profound emotional rewards—chief among them the joy of sharing life with someone you love. But it also brings important financial considerations that can influence your ability to save for shared goals, plan for retirement, manage your estate, and take advantage of tax and insurance benefits.

This legal and emotional commitment often involves blending two distinct financial lives—each with its own history, habits, and beliefs. Without clear communication, these differences can lead to misunderstandings or tension. That's why it's so important to have open conversations and work together on a joint financial plan. Whether you're just starting out or have been together for years, regular check-ins and thoughtful planning can help keep your financial future on track.

Whether you or someone you love is stepping into this new chapter, we hope these tips prove helpful. And remember—we're here to support and guide you every step of the way. Don't hesitate to reach out to your advisor for personalized advice and information.

Important Questions to Ask your Partner:



- How did your family treat money while you were growing up?
- Would you consider yourself a spender or a saver?
- What would you be willing to go into debt for, and how much debt would you be willing to carry?

Have A Frank Review of Your Savings and Debts:



- How much do you earn, spend and save?
- What are your assets? Do you have financial accounts or assets, or own homes, vehicles or art?
- What are your debts? Be sure to include mortgages, auto loans, credit card debt, student loans, etc.
- Have you experienced a bankruptcy, foreclosure or other problems paying off debt?
- Do you expect or want to provide support for loved ones?

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Aligning your Strategies and Goals:



- Align on the lifestyle you want to share, including where you want to live (and whether you rent or buy), how much to spend on cars, hobbies and travel, and how much you want to save.
- If you decide to combine finances, build a joint budget. If you want help with this step, ask your financial advisor for additional resources.
- Agree on how often you'll review your spending and saving together.

Discuss your hopes and plans for growing your family and careers:



- If you decide to grow your family, would one partner stop or reduce working to provide childcare?
- Are you expecting a significant change in income? How would you adapt to the change?
- Do you want to change careers, pursue a new passion or go back to school?
- Are there other major changes, such as moving, that you want or expect in your future?

Share Your Financial Goals and Dreams:



- Each of you can make a list of your short-, intermediate- and long-term financial goals and dreams.
- Check your lists to see where there's overlap. Also, some goals may be more important to one partner than another.
- If sharing expenses means saving money, determine whether you can put that extra money to work toward your goals.
- Consult with a financial advisor to help prioritize your goals and make progress toward them.

Align on Who Will Manage the Money:



- Who pays which bills? Have a clear agreement for who is responsible for what.
- How will savings and investment decisions be made?
- Who files the taxes? If only one partner files the joint return, both partners should watch for (and share) tax bills, refunds and statements they may need to file correctly.
- When do you consult each other on financial decisions, and how will you decide on issues that affect you both?
- Is there a spending threshold (e.g., \$200) over which you automatically consult your partner?

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OPA NEWS & COMMUNITY EVENTS

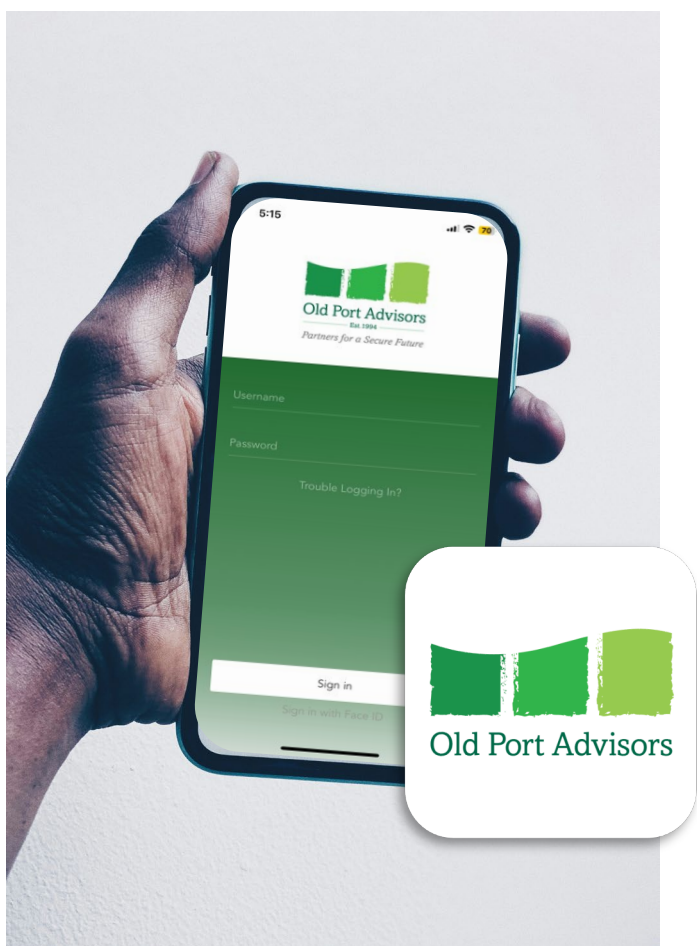
We're excited to share the launch of our newly designed brochure - a comprehensive resource that highlights who we are at Old Port Advisors, our approach to serving clients, and the full range of services and solutions we provide.

This brochure reflects our ongoing commitment to innovation, our client-first philosophy, and the depth of knowledge and resources we bring to every relationship.

Inside, you'll find valuable insights into our capabilities, the types of clients we serve, and opportunities for collaboration.



(Ctrl + Click Image to see full brochure)



Earlier this year, we enhanced our reporting systems and client portal—and we're excited to introduce the newest addition to these improvements: the **Old Port Advisors Mobile App**.

This new app makes it easier than ever to stay connected with your financial team, access key portfolio and account details, and receive timely updates—all from the palm of your hand.

Your portal offers secure, real-time access to personalized financial insights, account summaries, and investment dashboards from any device. Upon login, your customized homepage provides an at-a-glance view of your accounts, total portfolio value, and top holdings.

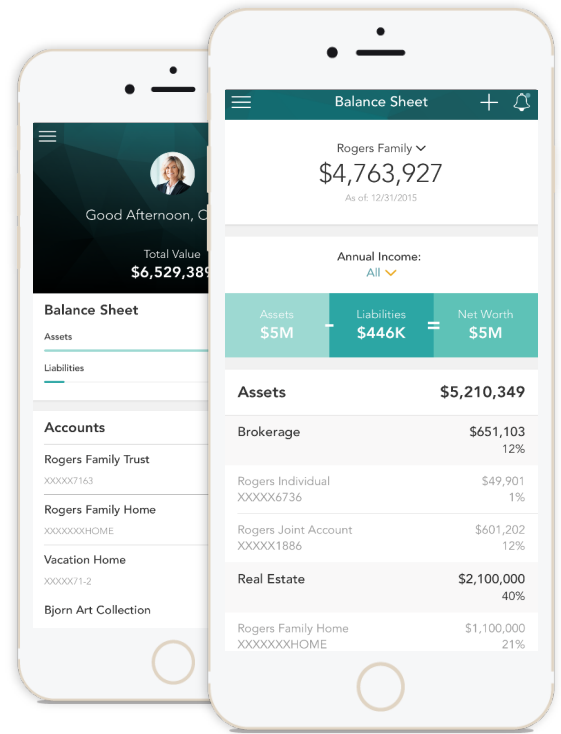
Key Features:

Quick Navigation: Seamlessly access all sections of the portal via an intuitive top menu.

Advisor Connection: Instantly reach your financial team with clickable phone, email, and office location links, plus built-in messaging for updates and inquiries.

Document Vault: A secure, organized space to upload, store, and manage important financial and legal documents—including shared folders for statements and reports.

We're proud to provide you with tools that support transparency, convenience, and personalized service—wherever you are.



CELEBRATING A NEW ADDITION TO THE OPA FAMILY

We're thrilled to share that Jake Kenyon and his wife, Isabel, recently welcomed their second child, Joshua Alexander, on April 30th - weighing in at a healthy 8 lbs., 6 oz!

Their daughter, Juliana, is embracing her new role as Big Sister-in-Chief with pride and enthusiasm. The whole family is doing well, and we're excited to congratulate Jake on this joyful new chapter.



SERVING OUR COMMUNITY SPONSORED EVENTS

In addition to serving our clients, we are deeply committed to giving back to the community we call home. We care about what happens here - and believe in doing our part to make a meaningful difference.

Stewardship has been woven into the fabric of Old Port Advisors since day one. From the beginning, we have proudly supported and served on the boards of numerous organizations, including The Dream Factory, Portland Chamber of Commerce, Wayfinder Schools, North Yarmouth Academy, Institute for Civic Leadership, Bay Chamber, Preble Street Resource Center, Center for Grieving Children, and Big Brothers Big Sisters, among others.

In recent months, we've been honored to support and participate in a variety of community events, such as the Girl Scouts' Cookies & Cocktails, the Portland Regional Chamber's Imagine Portland Gala, the Center for Grieving Children's Swing "Fore" the Center Golf Tournament, the Institute for Family-Owned Business Golf Tournament, the Dream Factory Golf Tournament, Benchmark's Duathlon, and the Maine History Maker's Event honoring the Nelson Family.



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The Dream Factory: On June 17th, the OPA Team once again sponsored and participated in the much-loved Dream Factory Annual Golf Tournament. This year marked the organizations 28th anniversary of hosting the golf tournament. Marking another year of wish-granting for the most vulnerable. The organization believes children with life-threatening illnesses as well as chronic illnesses and disorders suffer from substantial emotional and physical pain. They strive to provide hope and relief from the trauma and corresponding stress that both the children and their families can endure on a day-to-day basis. To learn more about the organization and ways you too can support their efforts visit: <https://www.dreamfactoryinc.org/portlandmaine/>

Girl Scout's of Maine: We are proud to have been among the many who came out in support of the Girl Scouts and the amazing work they do each year to teach, support and uplift girls of all ages. On June 5th their Cookies & Cocktails event was a huge success, they raised \$65,000 in donations and corporate sponsorships. Funds will go to support Girl Scout troops and activities all over Maine, including summer camper programming and annual educational programming for all Girl Scouts. For ways to support your local troop or start your own visit: <https://www.girlscoutsofmaine.org/>

Bay Chamber: For over 60 years, through diverse, dynamic events and first-class instruction, it has been the Bay Chamber's mission to lead the way in making music accessible to all. Through out the year we are proud to be in supporter of the amazing music and community work the Chamber provides. For a full list of upcoming events and concerts, please visit: <https://baychamber.org/calendar>

UP-COMING COMMUNITY SPONSORED EVENTS

Olympia Snowe Women's Leadership Institute: On Tuesday, August 5th from 5:30-7PM OPA will attend the Portland Country Club to support the good works of the institute as they continue their work of raising the confidence and aspirations of high school girls throughout Maine. For Information about the institute and opportunities to support or attend upcoming events visit: <https://snoweleadershipinstitute.org/>

The Center for Grieving Children: In 1987 Portland, Maine resident Bill Hemmens, opened the center following the death of his sister. Bill recognized that children need peers and caring adults to support them through their grief, because death profoundly affects every aspect of their lives. Please join us in supporting the center at their annual Swing "Fore" the Center golf tournament Tuesday, September 23rd at Prouts Neck Country Club. For more information and ways to support the center please visit: <https://www.cgcmaine.org/event/swing-fore-the-center-2024/>



Old Port Advisors

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Partners for a Secure Future

Old Port Advisors is a Maine-owned independent wealth management firm founded in 1994.

As fiduciaries we are committed to helping our clients meet their financial and legacy goals through personalized planning and professional, experienced ongoing advice.

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