NorthLanding Financial Partners, LLC

Q2 2025

QUARTERLY COMMENTARY

www.northlandingfp.com

REFLECTIONS ON THE RECENT RALLY

Preparation Over Prediction

MARKET INSIGHTS

Since bottoming in early April, the S&P 500 has rallied over 24.5%[1], closing the quarter with a year-to-date gain of 6.09%[1]. United States equities staged a strong and steady recovery, supported by resilient corporate earnings, softer-than-expected inflation data, and continued strength in the labor market. Although tariff tensions and geopolitical concerns dominated headlines, market fundamentals ultimately prevailed.

International markets also surged, rising approximately 24%[1] from the April lows. Admittedly, maintaining international exposure can require patience, but that patience has been rewarded this year. The MSCI All Country World Index has returned 17.90%[1] through quarter end versus 6.09%[1] for the S&P 500.

Easing inflationary pressures in major economies renewed optimism for more accommodative monetary policies globally, particularly from the Bank of England and the European Central Bank. Corporate earnings remained strong, driven by solid performance in European industrials and tech-focused Asian manufacturers. A weakening United States dollar further supported international equities, while early signs of economic stabilization in China helped restore investor confidence in emerging markets.

Just as fear and panic pulled equity markets lower in early April, growing belief that systemic risks may be easing has lifted global markets and reignited investors' appetite for risk.

The bond market also delivered a relatively solid second quarter. Early indications of cooling inflation led many investors to expect that the Federal Reserve might begin cutting rates. However, subsequent data was mixed, leaving interest rates largely unchanged. As a result, longer-term bonds experienced only modest gains. Corporate bonds held up well, reflecting continued investor confidence in the health of United States companies and the appeal of bond yields compared to recent years. The Bloomberg United States Aggregate Bond Index returned 1.21%[1] during the second quarter, bringing its year-to-date return to a respectable 4.02%.[1]

GAINING PERSPECTIVE

Although inflation has moderated significantly from its 2022 peak, it remains above the Federal Reserve's two percent target. Still, the overall trend is encouraging. The United States economy remains stronger than many had anticipated, with healthy employment, solid corporate earnings, and resilient consumer spending. In such an environment, reactionary shifts, such as chasing inflation trades, abandoning bonds, or avoiding international exposure, can often do more harm than good.

Concerned by the volatility earlier this year, many investors sold risk assets, moved to cash, or remained on the sidelines. These reactions either locked in losses or caused investors to miss much of the subsequent rebound. Others delayed rebalancing, waiting for conditions to feel "safe" again. However, markets do not send invitations when it is time to re-enter. Long-term investors understand that volatility and uncertainty are not to be avoided, but to be managed.

Disciplined diversification and rebalancing can often feel uncomfortable and counterintuitive. By design, some parts of the portfolio will lag at any given time. This is not a flaw, it is a feature.

Our approach is designed to absorb a range of economic conditions rather than overreact to any single moment.

The positive results from our model portfolios this spring were not due to prediction, but to preparation. The rebound is a reminder that successful investing is not about forecasting the next market move. It is about having a process in place when uncertainty strikes.

In early April, as markets weakened and headlines focused on tariffs and inflation, we rebalanced portfolios and increased equity exposure because our discipline required action. These trades realigned portfolios with long-term targets and positioned them well for the more than 20% recovery that followed. When the dust settled, the most consistent processes once again outpaced the boldest predictions.

Investing is not about intensity, it is about consistency. The most successful investors are not trying to outsmart market volatility, they are committed to outlasting it. As author H. Jackson Brown wrote, "In the confrontation between the stream and the rock, the stream always wins, not through strength, but by perseverance." This is how we view disciplined investing. We are not attempting to overpower the market. We are applying steady, consistent pressure through rebalancing, diversification, and patience.

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PORTFOLIO IMPLICATIONS

We do not only rebalance in down markets, we also rebalance after strong ones. Following the sharp move higher, many portfolios became overweight equities relative to their long-term targets. Rather than allowing allocations to drift, we used this opportunity to trim from areas that had appreciated significantly and reallocate to areas that had become underweight.

Rebalancing is not a matter of market timing, it is a matter of discipline. Just as we added to equities in early April when fear was high, we are now reducing exposure with the same measured approach. This ensures that risk levels in our Core Model Portfolios remain consistent with long-term objectives, while avoiding emotionally driven decisions.

By doing so, we mitigate the stress and regret that often accompany reactions driven by fear or greed. Instead, we find satisfaction in being patient, intentional, and confident in our process. Our investment philosophy is not built on bravado or fear. It is built to endure.

Our portfolios are designed to meet our clients' needs and help them achieve their long-term goals. Please contact your advisor to discuss how we balance risk and reward in your personalized plan.

- NorthLanding's Investment Direction Committee

[1] Investment performance data through 6/30/2025 was provided by Morningstar, Inc. and believed to be accurate as of the date of this publication, gross of any advisory fees. While all data is believed to be from reliable sources, accuracy and completeness are not guaranteed. All investment strategies including diversified asset allocation have risk. Past performance of the markets or any investment approach, as well as component holdings, does not guarantee future results.