80 YEARS

JAG CAPITAL MANAGEMENT LLC

2nd Quarter 2025

Quarterly Comments

From Shock to Strength

Market Overview

Last quarter was nothing if not exciting. April opened with what market historians may someday call the Tariff Tantrum of 2025. On April 2, President Trump announced sweeping "reciprocal" duties that - at first blush - appeared large enough to completely upend global supply chains. Markets recoiled from this shocking announcement, knocking the S&P 500 down more than 10 percent in the next four trading days as recession fears spiked. Yet by June 30, the same S&P 500 had reversed its early April losses to close at a new all-time high. We think there were three main catalysts that powered this round-trip for the market.

- **Tariff Dial-Backs and Exemptions.** Within a week of the "Liberation Day" tariff announcement, perhaps reacting to dislocations in the stock and bond markets, the administration unveiled a ninety-day bridging rate of just 10%. They also carved out key imports (smartphones, semiconductors, pharmaceuticals, and computers) and signaled a willingness to negotiate bilateral reductions. These steps de-risked the initial proposal and calmed investors.
- **Resilient Corporate Earnings.** Corporate America's first-quarter reporting season delivered better-than-feared results, particularly from AI and large-cap technology firms. This may have served to remind investors that profit growth can coexist with policy uncertainty.
- **Tame Inflation and Hopes for Fed Relief.** Back-to-back downside surprises in the April and May Core PCE (Personal Consumption Expenditures) inflation prints nudged Treasury yields lower and revived expectations for two quarter-point cuts before year-end.

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Firm Highlights

Congratulations to long-time colleague **Dave Patritti** whom we recognized last quarter for embodying our Accountable core value. Since joining JAG in 2008, Dave has provided superb service to hundreds of individuals and families. As a 30+ year veteran of the investment industry, he is also a valuable mentor to junior team members throughout the firm. We are proud that Dave is part of Team JAG!

Additionally, the late-June cease-fire between Israel and Iran and growing expectations of a longer-term ceasefire in Gaza helped tamp down oil prices and fuel risk appetites. The quarter underscores a lesson we highlighted in our Q1 letter: in today's hyper-connected markets, policy headlines can unleash "weeks where decades happen."

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Technology and Communication Services - home to the most visible AI beneficiaries - rallied strongly, leaving defensive sectors (Utilities, Staples) and commodity linked Energy as laggards. Elevated real interest rate levels, lingering supply chain uncertainty and still tight credit conditions pressured smaller companies. As of 6/30/25, the Russell 2000 remained in negative territory year to date.

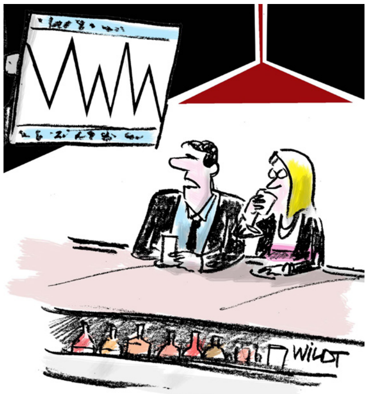
A milder inflation pulse plus stable job growth compressed Treasury yields 25 bps across the curve. Credit spreads tightened to fresh twelve month lows as investors embraced cyclical risk, and high-yield bonds posted their best quarterly return since Q4 2023.

Third Quarter Watchlist

Date / Event	Why It Matters	Possible Market Reaction
25 July Q2 GDP (Advance)	First look at tariff impact on economic growth	Sub 2% print could cement Fed cut expectations
July–Aug 2Q Earnings Season	Forward guidance amidst new & evolving tariff regime	Beats will probably be rewarded; misses could be punished more severely than usual
17 Sep FOMC Meeting	Updated dot plot; Fed balance sheet plans	Could provide more visibility into number & degree of rate cuts through year-end 2025

Market Outlook

For better or worse, we expect continued volatility as we progress through the end of the summer. Trade brinksmanship is likely to continue for the foreseeable future, which could drive short-term dips and surges for the major stock market indices. Meanwhile, as we discussed in our most-recent **Growth Equity Insight**, the AI revolution should continue to gain steam regardless of the noisy policy backdrop.



"Sometimes I'd like to smack the stock market across the face and tell it to just chill."

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We remain optimistically cautious as we begin the second half of 2025. Stock valuations are not cheap, especially after their recent strong rebound. We keep waiting for "peace to break out" in Ukraine, but that tragic conflict continues to grind on. There are tentative signs that tensions could be cooling in the Middle East, but the path to a lasting peace is unlikely to be linear. And tariff policy turbulence will probably continue to keep everyone on their toes.

Meanwhile, corporate earnings growth has been stronger than expected, and inflation remains subdued. Most measures of investor and consumer sentiment are subdued, which could be a positive contrary indicator into year-end.

As always, we invest alongside our clients with a long-term mindset. We appreciate the trust you place in JAG, and we wish you and yours a safe and happy summer.

Best,

Norm

Norm Conley
CEO, Chief Investment Officer & Portfolio Manager

Disclosures

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Ownership: Fifty-one percent ownership by a Veteran or Veterans. The applicant must share in all risk and profits commensurate with their ownership interest.

Control and Management: Proof of active management of the business. Veteran must possess the power to direct or cause to direct the management and policies of the business.

Contribution of Expertise and Capital: Contribution of capital and/or expertise by Veteran owner(s) to acquire their ownership interest shall be real and substantial and be in proportion of the interest acquired.

Independence: The Veteran owner(s) shall have the ability to perform in their area of specialty/expertise without substantial reliance on non-Veteran-owned businesses.

About JAG

JAG Capital Management (JAG) actively invests for institutions and individuals in highly selective, customizable, and nimble equity and fixed income strategies. JAG is a boutique, independent, employee-owned investment management firm in St. Louis.

Learn More About JAG

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