



2nd Qtr. 2025 Investment Counsel Report

Market Summary

A nearly full reversal of the first quarter of 2025 occurred in the second quarter - with larger stocks snapping back from a moderate swoon. Large stocks of the S&P 500 Index rose 10.9% in Q2, 25, standing at +6.2% for the Year To Date through June 30th. That favorable and moderate result may belie the angst that was felt as stocks fell earlier, ostensibly on US tariff concerns. Recall that stocks of all varieties fell roughly 5-10% in the first quarter.

Small stocks of the Russell 2000 Index rose at a lower rate of +8.5% over the last three months. This gain was not fully enough to cover earlier declines, and the Russell 2000 was down -1.8% for the first half. Foreign stocks as measured by the EAFE Index were still very strong, standing at +19.9% for the YTD, after climbing 12% in the second quarter.

Aurora Perspective

Large Cap stocks, and the very large Mega-Cap stocks in particular, have been outperforming the broader market for the past few years. There are various and rational reasons why this trend has manifested - a rise in indexing, strong profits for FAANG stocks, low profits for small stocks included in Small-Cap benchmarks, etc. The factors and the trends supporting Mega-Cap dominance are likely not permanent and we forecast a reversal favoring Mid-Cap and Smaller Cap stocks. Such evening out in performance between market segments is regular, though the timing and catalysts are hard to foresee.

For every case of overpriced and exuberant expectations built into currently popular large cap technology stocks, we can find a more appropriate balance of cheap stock valuations and sustainable earnings growth in mid-sized equities. We have noticed an uptick in Merger/Acquisition activity recently also (owning a few stocks that have been acquired), and this trend highlights an ongoing opportunity for smaller/mid-sized stocks. There are also bargains in stocks that have been left behind and prospects to quickly take advantage of short term price declines without fundamental breaks in company prospects.

What is most imperative for our clients and for long term success, is to remain disciplined and diversified while following individualized Investment Policy. Aurora's Growth At a Reasonable Price (GARP) investment discipline has been consistently employed and still provides the underpinnings to achieve our clients' investment goals. We are very confident in the opportunities of our current invested companies, and in our portfolio's positioning in today's market conditions. By remaining exposed to the financial traits that have helped us avoid excess risk and offering exposure to the rising profitability of the companies we invest in, our clients have harvested returns that transcend such market trends.

Aurora Outlook

While there appears to be a never ending shortage of change and concerns - everything from Fed policy decisions to geopolitical tensions to market sentiment - it is discipline and time that is the elixir. We are dutifully monitoring tariff negotiations, urging US fiscal spending sanity, and staying apprised of regulatory and government evolution. We diligently stay apprised of each individual portfolio holding's progress and monitor trade magazines to stay current with industry news.

Our role in keeping client investments consistent with their needs and aspirations ultimately comes back to discipline and time. We take our responsibilities seriously and continue to work hard to ensure client success.

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