C&N VANTAGE POINT

QUARTERLY MARKET RECAP & OUTLOOK | FIRST QUARTER, 2025

MEET A TEAM MEMBER

ALEXANDRA RICHEY

Financial Consultant

Alexandra (Alex) Richey is a Financial Consultant with Citizens & Northern Bank, serving clients as part of the Bradford County Wealth Management Team. She joined C&N in 2023, bringing a strong foundation in investment services, retirement planning, and client relationship management.

Alex holds the Series 7, Series 66, SIE, and Life & Health Insurance licenses. She is currently preparing to sit for the Certified Trust and Fiduciary Advisor (CTFA) exam in June 2025, further expanding her expertise in trust and estate administration.

She earned her Bachelor's degree in Accounting from Mansfield University and has completed formal training through the Cannon Financial Institute's Trust School.

Alex is a passionate, holistic planner that aids individuals and families in making informed, confident financial decisions. She believes in building lasting relationships through personalized advice that reflects each client's unique goals and priorities.

In addition to her professional role, Alex is actively involved in her community as President and Head of Fundraising for the Trojan Spike Club, a volunteer organization supporting local athletics. She resides in Gillett, Pennsylvania with her husband, Andrew, and their two children, Annelise and Adrian.

Key Equity Indexes - As of Quarter End	%YTD Return**	NTM P/E**	P/B**	Dividend Yield**
S&P 500	-4.81	20.07	4.88	1.31
Russell 2000	-9.02	22.64	1.86	1.41
Russell 1000 Growth	-10.05	25.21	11.92	0.62
Russell 1000 Value	1.18	16.20	2.73	2.04
MSCI EAFE	9.25	14.14	1.89	2.67
MSCI EM	4.81	12.29	1.76	2.19

Sources: JP Morgan Weekly Market Recap; Northern Trust. Past performance does not guarantee future results, which may vary.
** As of 3/31/2025

Key Interest Rates	2025			
	6/28/24	9/27/24	12/27/24	3/28/25
2-yr Treasury Note	4.71	3.55	4.31	3.89
10-yr Treasury Note	4.36	3.75	4.62	4.27
30-yr Treasury Note	4.51	4.1	4.82	4.64
30-yr Fixed Mortgage	6.93	6.69	7.28	6.75
Corp. Bond Index	5.48	4.69	5.37	5.17
High-Yield Bond Index	8.09	7.22	7.65	7.86

Sources: JP Morgan Weekly Market Recap & Oppenheimer Markets Review At-a-Glance
Past performance does not guarantee future results, which may vary.

2025 YTD EQUITY STYLE PERFORMANCES**

	US Equity Style			MSCI World Style		
Equity Size	Value	Core	Growth	Value	Core	Growth
Large	2.13%	-4.49%	-9.97%	5.91%	-2.06%	-8.31%
Medium	-2.11%	-3.40%	-7.12%	0.64%	-0.26%	-2.16%
Small	-7.74%	-9.48%	-11.12%	-1.65%	-3.73%	-5.79%

YTD U.S. FIXED INCOME PERFORMANCES***

Bloomberg Benchmark	Return
Treasury Index	2.92%
Aggregate Index	2.78%
High Yield Bond Index	1.00%
Municipal Bond Index	-0.22%

Source: Bloomberg. US Equity Style Returns are Russell Indices. Past performance does not guarantee future results, which may vary.
**As of 3/31/2025
***All returns represent total returns as of 3/31/2025

NAVIGATING UNCERTAINTY

Policy spillovers. One of the key known unknowns heading into this year was the extent to which U.S. government policies would shape the macroeconomic landscape. Unfortunately, the policies perceived to be less economically-supportive dominated the narrative in the first quarter, while the potentially more growth-additive policies (e.g., tax cuts, deregulation) were put on the backburner. Specifically, there remains an elevated amount of uncertainty surrounding the outcome of trade policy. In addition to the uncertainty drag, consensus tariff expectations have repriced to levels that resemble the risk case scenario of some initial forecasts. Beyond trade, policy risk from federal layoffs and reduced immigration have added to growth concerns. The net result has been an unfavorable mix of lower growth and higher inflation expectations incorporated into U.S. consensus estimates. Nonetheless, forecasts for real growth in 2025 exited the quarter around 1.5% and included an expectation for continued easing from the Fed. While the policy spillover into U.S. forecasts was incrementally negative, more positive developments resulted abroad. At risk of less support from the U.S., Germany executed unexpected fiscal reform that lifts the debt brake for defense spending and includes a €500 billion infrastructure fund. At the same time, China has taken a more proactive approach toward stimulating domestic demand as well as more positively engaging with the private sector. While risk of negative tariff shocks remain high, Europe and China made incrementally positive strides during the quarter.

Good quarter for diversification. First quarter financial market returns were generally positive aside from losses in U.S. equities. The market backdrop at the onset of the quarter looked quite different from February and March as late-January DeepSeek AI news jolted markets followed by policy uncertainty taking center stage by early February. These impacts were most pronounced in U.S. equities as the S&P 500 quickly corrected by 10% from mid-February through mid-March. Underlying equity market dynamics shifted with the Magnificent 7 group a large drag (six of the seven were down more than 10%) and more defensive parts of the market leading the way. Despite Mag 7 weakness, broader U.S. equities held up reasonably well with the equal-weighted S&P 500 down only 1% and defensive sectors posting mid-single-digit gains. More notable was the strong performance in Europe and to a lesser extent, emerging markets. Europe equities outpaced the U.S. by about 15% in dollar terms. Both regions benefited from a rebound off a weaker starting point versus the U.S. The historic pivot in German fiscal policy was a major boost for Europe with aerospace & defense companies up 30%-plus for the quarter. For emerging markets, China was a key driver, as heavyweight tech companies were a key source of strength. On the fixed income side, after rising early on, interest rates moved lower for the quarter while credit spreads widened. This led to modest positive total returns for broader fixed income indexes. Real assets generally outperformed global equities, with stronger performance in natural resources and global listed infrastructure.

FIRST QUARTER 2025 TOTAL RETURNS (%)

Most asset classes ended the quarter modestly higher despite losses in the U.S. equity markets.

	FIXED INCOME						EQUITIES			REAL ASSETS		
	Cash	Muni	Inv. Grade	TIPS	High Yield	EM Debt	U.S.	Dev. Ex-U.S.	EM	NR	GRE	GLI
1Q25	1.0	-0.2	2.8	4.2	1.0	4.3	-4.8	6.0	1.8	7.1	1.2	4.6
2024	5.3	1.1	1.3	1.8	8.2	-2.4	23.8	5.0	7.6	-8.3	3.2	15.1

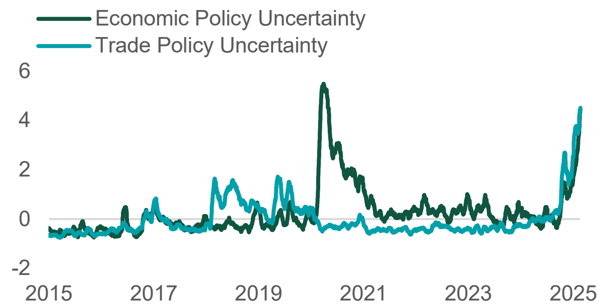
Source: Northern Trust Asset Management, Bloomberg. NR: Natural Resources; GRE: Global Real Estate; GLI: Global Listed Infrastructure. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

KEY DEVELOPMENTS

Uncertainty is the Word of the Day

Policy uncertainty was the main surprise for the investor community in the first quarter. Trade policy was the focal point with potential widespread implications for both global trade and geopolitical relations. Trade policy announcements were more severe than expected and multiples of magnitude higher than the 2018 trade episode in Trump's first term. Adding to complexity, the uncertainty has been multi-layered with regard to the timing, exact policy details, how long policies will remain in place and their ultimate expected economic impact.

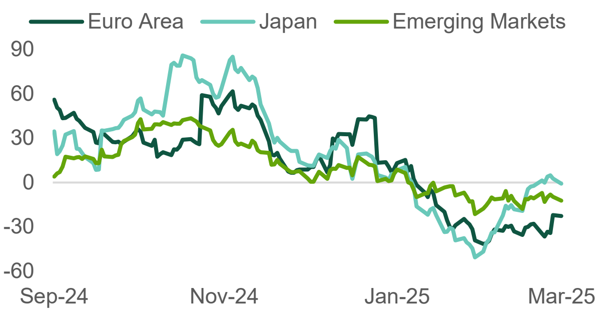
DAILY UNCERTAINTY MEASURES: Z-SCORES



U.S. Economy Gives Up Some Ground

The U.S. economy remained on decent footing in 1Q. However, policy uncertainty weighed on survey-related economic data, with perceived risks around lower growth and higher inflation. This helped lead to fading U.S. economic momentum versus non-U.S. peers – an advantage over the better part of the last two years. While soft data can be overly influenced by recent events and is not necessarily predictive, key questions remain around how lower confidence translates to economic activity via consumer and corporate behavior.

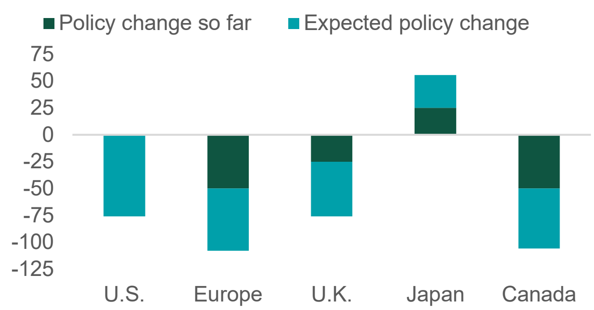
CITI ECONOMIC SURPRISE INDEX: U.S. VERSUS...



Central Banks Still Cutting Rates

The central bank reaction functions have varied somewhat globally though with most major developed market central banks still on course to gradually ease policy aside from the Bank of Japan. Central banks have largely shied away from offering direct guidance in relation to rising uncertainty, while generally placing more emphasis on downside growth risks relative to upside inflation risks. The Federal Reserve left policy unchanged in the quarter, while the European Central Bank cut twice and the Bank of England cut once.

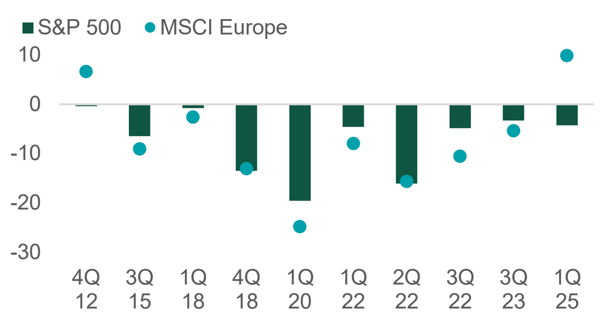
2025 CENTRAL BANK ACTIVITY (BPS)



U.S. Equities Lag in the Quarter

The biggest shift in the market backdrop was the underperformance of the U.S. equity markets versus the rest of the world. The confluence of a less-positive outlook for U.S. megacap tech following DeepSeek AI news and broader U.S. policy uncertainty led to notable headwinds for U.S. indexes. U.S. equities reached a 10% correction from mid-February through mid-March while non-U.S. equities were closer to flat. European equities outpaced the U.S. by 15% in the quarter – one of the largest quarters of outperformance on record.

LAST TEN QUARTERS WITH S&P 500 LOSSES (%)



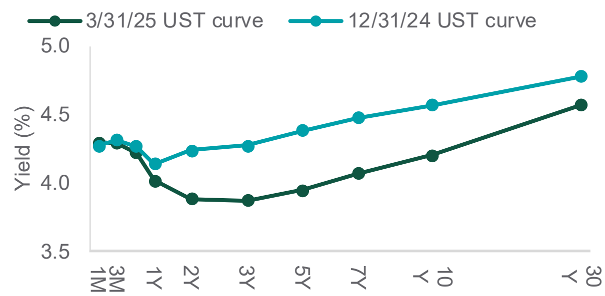
Source: Bloomberg, Macrobond, Citi, Economic Policy Uncertainty, Matteo Iacoviello. Data as of 3/31/2025. First chart: one-month smoothed measures using daily data. Fourth chart: USD total returns. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

MARKET REVIEW

Interest Rates

Policy uncertainty weighed on U.S. interest rates. Most of the move in longer-end Treasury yields was driven by lower real yields as market-based inflation expectations were mostly stable. These moves were not consistent globally. In fact, fiscal reform pushed up longer-end real yields in the Euro Area, while yields in Japan continued to rise. Globally, uncertainty was a consistent theme across central bank communications. The Fed slowed the pace of quantitative tightening while opting to leave rates unchanged with a dovish forward-looking posture.

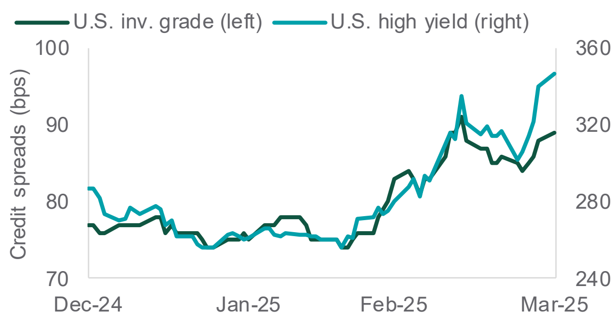
U.S. TREASURY YIELD CURVE



Credit Markets

Investment grade (IG) spreads widened 12 bps to 0.89%. High yield (HY) spreads widened 60 bps to 3.47%. Weakness within HY was led by lower-rated credits, which marks a reversal from recent years in which lower-quality credits outperformed. However, overall credit fundamentals were mostly unchanged and spreads still remain below long-term averages. From a return lens, both IG and HY fixed income were positive with support from income yields. For diversified investors, most bonds helped buffer U.S. stock losses.

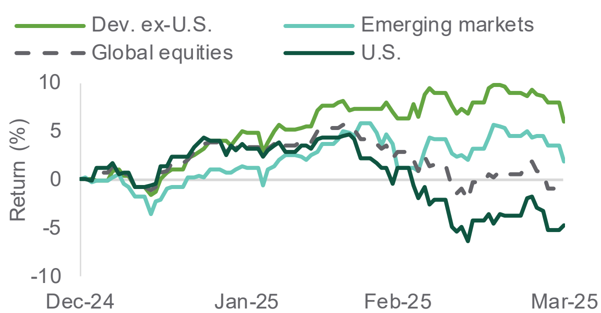
CREDIT SPREADS



Equities

A significant shift in regional leadership trends left global equities down a percent. In dollar terms, Europe returned around 15% more than the U.S., while local currency returns were lower but still strong. China outperformed the U.S. by around 20% on fiscal support and a tech sector revival. U.S. exceptionalism is under pressure after the S&P 500 Index lost 4% and entered a 10% correction. Tech, growth and cyclical stocks produced outsized drag on overall index returns. The equal-weighted S&P index was down about 1%.

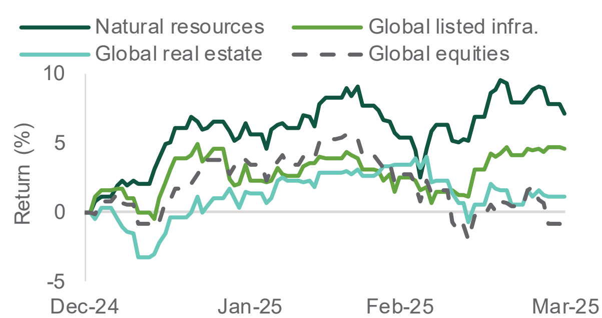
REGIONAL EQUITY INDICES



Real Assets

Real assets were another area of the market that provided diversification from U.S. equity market losses. Natural resources led the way with a 7% gain during the quarter, followed by listed infrastructure (+5%) and positive performance from global real estate (+1%) that was sensitive to interest rate movements. Gold made new highs with a 19% gain in the quarter, which brings its trailing one-year return to 40%. Inflation, a weaker U.S. dollar, economic uncertainty and central banks continuing to add to gold reserves were key supports.

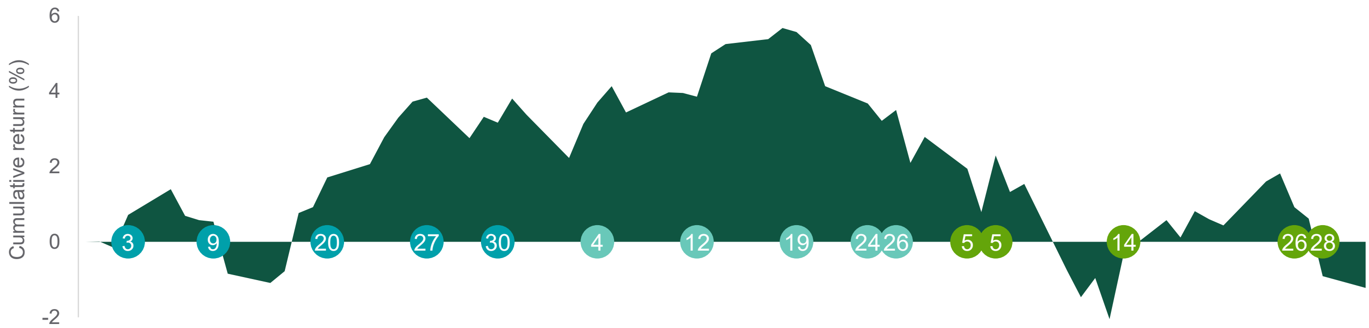
REAL ASSET INDICES



Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

MARKET EVENTS

■ 1Q 2025 global equity total return: -1.2%



JANUARY	FEBRUARY	MARCH
3 Republican representative Mike Johnson is reelected as House speaker during the first round of ballots.	4 President Trump agrees to postpone U.S. tariffs on Mexican and Canadian imports until March to allow more time for negotiations. This comes days after Trump signed the executive order to impose the tariffs.	5 Germany announces a massive fiscal spending program that allows defense spending to circumvent Germany's debt brake and also includes a €500 billion infrastructure fund over 10 years.
9 U.K. bond and currency markets weaken on fiscal concerns. Longer dated gilt yields are now higher than the 2022 mini-budget crisis period.	12 The U.S. Consumer Price Index prints hotter-than-expected, underscoring the bumpy nature of inflation.	5 China announced more fiscal stimulus to support domestic consumption and cushion against the impact of an escalating trade war.
20 Donald Trump is inaugurated as U.S. President for his second term. He signs a flurry of executive orders and mentions that tariffs are forthcoming.	19 In the January FOMC meeting minutes, the Fed communicates that it wants to see further progress on inflation before cutting. Trade and immigration policies are mentioned as risks.	14 The preliminary March University of Michigan consumer survey suggests consumers are more pessimistic and more worried about inflation.
27 DeepSeek launches its low-cost AI model, sparking ranging discussion about the extent of U.S. tech spending on AI-related capex.	24 The opposition conservatives led by Friedrich Merz win a lackluster victory in Germany's election, with Merz set to become the next Chancellor.	26 U.S. President Donald Trump announces a 25% tariff on foreign auto imports scheduled to take effect on April 3.
30 The European Central Bank (ECB) implements a widely expected 25-basis-point (bp) rate cut to its three key interest rates, lowering the deposit rate to 2.75%.	26 Nvidia (NVDA) beats analysts' earnings and revenue estimates. However, guidance and ongoing tariff risk fail to inspire investors.	28 The core Personal Consumption Expenditures Price Index is hotter-than-expected and rises to 2.8% year-over-year.

Prepared by Northern Trust Asset Management on behalf of Citizens & Northern Wealth Management.

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Indexes used: Bloomberg (BBG) 1-3 Month UST (Cash); BBG Municipal (Muni); BBG Aggregate (Inv. Grade); BBG TIPS (TIPS); BBG High Yield 2% Capped (High Yield); JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income); MSCI U.S. Equities IMI (U.S. Equities); MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities); MSCI Emerging Market Equities IMI (Em. Markets Equities); S&P Global Natural Resources (Natural Resources); MSCI ACWI IMI Core Real Estate (Global Real Estate); S&P Global Infrastructure (Global Listed Infrastructure).

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TARIFF TANTRUM

Holding the U.S. base case, but uncertainty is higher: Tariff uncertainty is at all-time highs and we see higher potential for a negative outcome. Regarding broader policy uncertainty, higher tariffs could weigh on low-income consumers, falling asset prices pose risk to higher-income consumers, and labor market drag from federal layoffs is starting to surface. Uncertainty from tariffs and other government policies could persist for several months as processes unfold. Policy risks have coincided with downward revisions to growth expectations and upward revisions to inflation forecasts. Consensus expectations for full-year 2025 U.S. GDP growth were lowered to 2.0% from 2.2% last month. Expectations for core Personal Consumption Expenditures (PCE) over the next couple of quarters modestly increased. While cooling, the U.S. economy is expected to continue to grow, and recession probabilities are low.

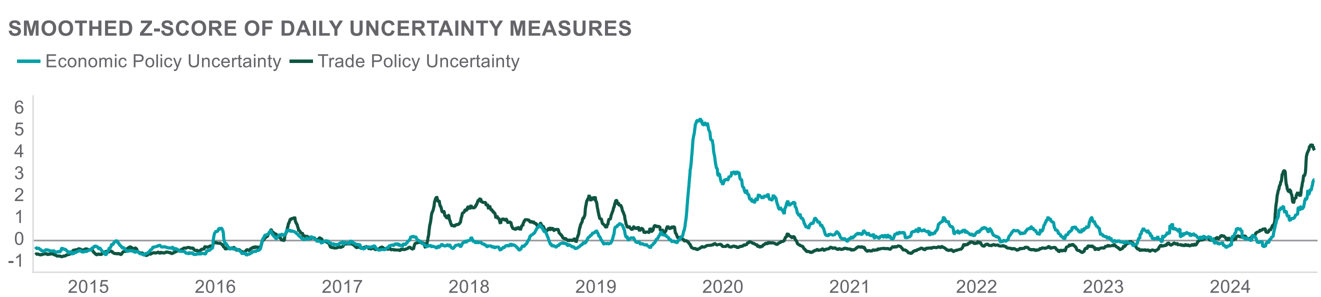
Our base case expectation remains for U.S. economic growth to slow to around trend, inflation to ease with the potential for near-term boosts from tariffs, and the Fed to proceed with a gradual pace of rate cuts. Uncertain tariff policies continue to pose both upside and downside risk, including economic disruption from policy shocks.

A brighter outlook for Europe: Germany announced massive fiscal reform that would allow defense spending to essentially circumvent the debt brake and also deliver a €500 billion infrastructure fund over 10 years. Approval is still pending but looks likely. The fiscal boost should provide multi-year support to the European economy and is occurring at a time when central bank rate cuts are starting to lift activity from low levels and Russia-Ukraine tensions are easing. We see higher odds that the Euro Area can achieve around 1% real growth. The improved growth outlook has started to feed through to better earnings revisions for non-U.S. equities, particularly relative to weaker U.S. estimates. Tariff risk is still a factor, but we believe the fundamental changes are sufficient to remove the underweight to developed ex-U.S. equities.

Maintaining the U.S. equity allocation: Government policies have weighed on the U.S. equity market, with the S&P 500 Index nearing a 10% correction in a span of less than a month. Given the recent drawdown, weaker sentiment, and no major change to the baseline economic expectation of a soft landing, we do not think it is an opportune time to reduce U.S. equity exposure. Instead, we preferred to fund the increased international equity allocation with high yield. High yield has posted a positive total return year-to-date, which is a notable feat given the magnitude of the U.S. equity market drawdown. We view the trade as an opportunity to take profit in one area in order to reduce underweight exposure to an asset class with the potential for tactical outperformance. Overall, the committee still likes high yield. The tactical portfolio is overweight equities and real assets, and underweight fixed income. We recommend having some inflation protection and staying diversified in what has been an uncertain environment due to government policy.

POLICY UNCERTAINTY IS VERY HIGH

A great deal of uncertainty centered on tariff impacts continues to keep equity markets on edge.



Source: Northern Trust Asset Management, Macrobond, Matteo Iacoviello, Economic Policy Uncertainty. One-month smoothed measures of daily data. Data from 12/31/2014 through 3/17/2025. Historical trends are not predictive of future results.

C&N PORTFOLIO POSITIONING:

SLIGHTLY ABOVE NEUTRAL IN EQUITIES

C&N Vantage Point
April 2025

Market Views:
U.S. Equities Corrected. Further Declines Bring Opportunities.
Fed Slow To Cut Rates. Rates Stay Higher For Longer.
Remain Diversified. New Fiscal And Tax Policy Impacts Unknown.

Market Risks:
Fiscal Policies Lead To Extended Negative Consumer Behavior.
Earnings Decline And Price Multiples Contract Accordingly.
Stagflation. (Slow Growth. High Inflation.)

Risk Type	Asset Class	Sector Category	Under Weight	Neutral	Over Weight	Viewpoints
	Cash/Cash Alternatives	**Ultrashort Bonds**		●		We maintain our neutral position given the Fed's cautious stance to cut rates. This is a source of funds for rebalancing in the event of a larger equity market downturn.
Risk Control	Alternatives (Fixed Based)	**Absolute Return**	●			This is a bond alternative category. Given current yields, we believe core fixed income provides better risk/reward, especially in a risk-off market. We retain our underweight.
Risk Control	Alternatives (Fixed Based)	**Inflation-Linked Bonds**			●	We maintain our slight overweight given current inflation readings, which we expect to remain stubbornly high.
Risk Control	Fixed Income	**US Investment Grade Bonds**			●	Yields provide respectable entry points as bonds try to establish equilibrium. A risk-off environment will favor investment grade, which makes this category a source for an equity targeted trade.
Risk Control	Fixed Income	**International Bonds**	●			U.S. yields are higher than yields of most foreign developed markets. Although slowing, the U.S. economy remains as strong as most economies. We stay underweight international bonds.
Risk Control	Fixed Income	**Emerging Markets Bonds**		●		We maintain our neutral position given the unknown impacts of potential tariff wars, and knowing which countries or regions will be affected, if at all.
Risk Assets	Fixed Income	**High Yield Bonds**		●		Spreads remain tight based on historical norms. With a slowing economy and a changing U.S. fiscal policy, we maintain our neutral positioning.
Risk Assets	Equities	**US Large Cap**			●	We maintain a slight overweight to this category and rebalanced back into this space during March's downturn. We believe the secular bull market is still in place and look to add at times of weakness.
Risk Assets	Equities	**Developed Ex-US**	●			We retain a slight underweight to this category, but within it, we've been overweight foreign large value since last Fall, giving us positive attribution through the recent rotation trade.
Risk Assets	Equities	**US Mid & Small Cap**			●	Mid caps and small caps offer growth exposure at reasonable valuations and tariff impacts may be less negligible for this category. We maintain our slight overweight.
Risk Assets	Equities	**Emerging Markets**	●			Tariff uncertainty has us maintaining an underweight to this category, as we prefer developed international equities who tend to have a more diversified revenue sources.
Risk Assets	Alternatives (Equity Based) & Real Assets	**Real Estate**		●		REITs have shown signs of bottoming and current income is attractive. But data center buildout concerns and a Fed that may keep rates higher for longer has us maintaining our neutral position.
Risk Assets	Alternatives (Equity Based) & Real Assets	**Commodities/Natural Resources**		●		We retain our neutral stance favoring foreign large value and U.S. large growth as a better blended approach to inflation tempering and an economy showing signs of cooling.

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