Quarterly letter Q2 2025

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"The big money is not in the buying and selling, but in the waiting."

– Charlie Munger

This quote rings true in hindsight, but it's not so clear while experiencing those challenging market periods. Year-to-date, the S&P 500 is up 6.2% and the Nasdaq has gained 5.48%.[1] Respectable numbers. But they don't tell the whole story. In April, the S&P 500 dropped 21.3% from its peak set in February.[2] Headlines were dominated by fears of an economic slowdown given changes to US trade policy, with tariff threats flying. Add in renewed geopolitical tensions—Ukraine/Russia, Israel/Iran—and it felt like the market was bracing for something worse. But just as quickly, fear was overtaken by optimism. By the end of June, the S&P 500 had not only recovered but posted a 10.94% total return for the quarter, reaching a new high.[3] The Nasdaq surged 17.75%[4] in the quarter, while the Nasdaq 100 technology index experienced its third-fastest decline and recovery in the history of the index.[5]

So, what changed? Not the headlines. Trade negotiations are still ongoing and geopolitical risks haven't vanished. But markets, as they often do, looked through the noise and found footing in fundamentals. The US consumer remains resilient. Corporate earnings have held up. And while the tariff drama may continue, the broader economic narrative—one of slow but steady growth—remains intact.

We've said it before: markets are long-term trending, intermediate-term mean-reverting, and short-term random. April's selloff was a reminder of that randomness. The rebound that followed was a reminder of why we stay invested. We buy what we believe are the best companies at what we believe is a good price and hold for the long-term. As an example, we have some long-time clients who hold positions that are up 10x, 20x, even 40x+. We believe that's how you build wealth, not by trading momentum. Looking ahead, we're keeping a close eye on the big picture and the impact on our companies of the following trends: aging demographics and labor market dynamics thereof, technological disruption, sovereign debt, and fiscal sustainability. These are forces that will contribute to shaping the next decade.

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But as always, we bring it back to you. Your financial plan isn't built on quarterly returns or headline risk. It's built on your goals, time horizon, and specific needs. Whether markets are up, down, or sideways, our job is to help you stay on course.

In some of our previous letters, we've mentioned generative artificial intelligence (AI)—it will drive some of the biggest changes to our economy (and our lives) since the internet. We are actively investigating many aspects of AI, how it may impact companies, whole industries, and plan to keep learning about it—and a key to learning something new is to use/embrace it ourselves. We are each using AI daily to find information, resources, summarize conversations and follow ups and to help reword/edit a series of thoughts/ideas. One example is this letter, which was partially written with the assistance of Microsoft Copilot. By putting some key numbers in the prompt, giving it some of our key thoughts and themes and having Copilot reference the tone and style of our previous letters, it came up with a series of paragraphs—some of which we used, edited, and added to. Thus far, it is productivity-enhancing, and we look forward to learning about additional use cases and opportunities.

Thank you for your continued trust and confidence. We look forward to our next conversation.

Sincerely,
Kristan, Grant, and John

[1] UBS CIO/PAG July 1, 2025.
[2] Refinitiv Data (using intraday numbers).
[3] UBS CIO/PAG July 1, 2025.
[4] UBS CIO/PAG July 1, 2025.
[5] MFS Beyond the News June 30, 2025.

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PMP is not appropriate for clients who: (i) want to maintain trading control over their account; (ii) seek a short-term investment; (iii) want to maintain consistently high levels of cash, money market funds, or invest primarily in no-load mutual funds; (iv) want to maintain highly concentrated positions that will not be sold regardless of market conditions; or (v) who anticipate significant withdrawals from the account.

Financial Advisors who participate in the PMP Program may also provide services to you and to other clients outside of the Program in their capacity as brokerdealer representatives and as such, may dedicate time to activities other than discretionary portfolio management. Financial Advisors who participate in the PMP Program have an incentive to recommend their services in PMP over those of third party SMA Managers in other Advisory Programs or over traditional commission based brokerage services.

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