Investment Update

July 2025

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To say 2025 has been eventful would be an understatement. Between tariffs and a constantly shifting geopolitical landscape, markets have been on quite the ride. Year-to-date through July 18th the S&P 500 is up 7.8% near an all-time high. International stocks are up 18.5% while US bonds are up 3.3%. This would be a pretty ordinary year for markets had you not been watching the news.

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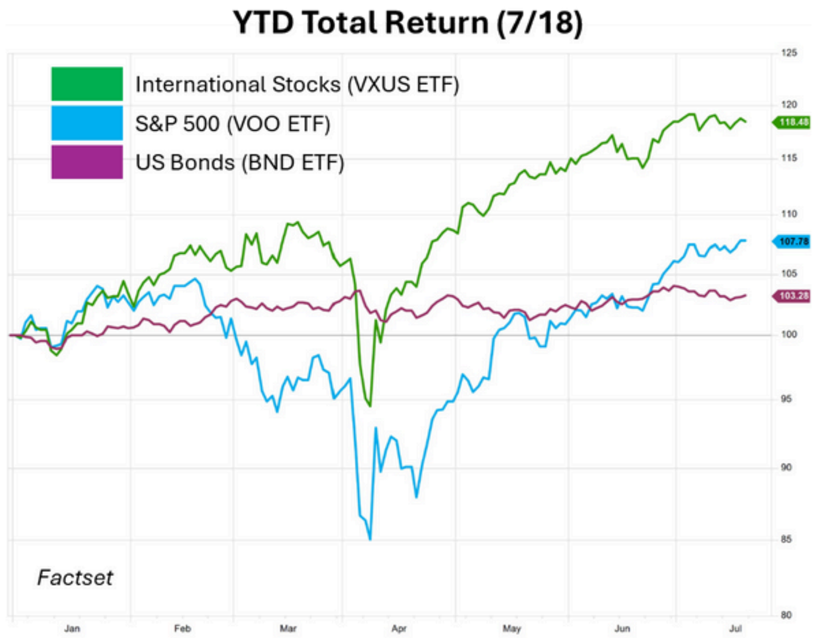
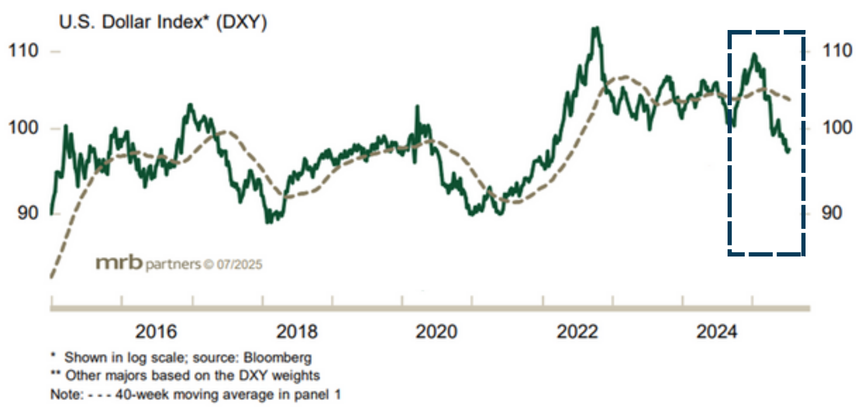


What does make this year unique is a declining US Dollar amidst the volatility. Typically investors flee to the relative safety of the dollar when markets are unstable, but not this time. Naturally this makes sense as both parties have given up trying to rein in deficit spending. The scales could be balanced through either higher taxes which would lead to weaker growth (though the recent budget features tax cuts) or printing money to inflate the debt away. Neither path is good for the dollar.



The dollar is down YTD despite all the volatility

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Where do we go from Here

For some potential positive takeaways, we do have to consider the pro-growth agenda of the current administration. In the short-run, tax cuts and deregulation can be very positive for business profits hence the market at all-time highs. And tariffs are impacting a relatively small portion of the economy as the US economy is primarily service based. The declining dollar favors non-US markets as international currencies appreciate on a relative basis. It also helps US company earnings to the extent they have overseas profits that translate back into dollars at a lower exchange rate.

On the other hand, record deficits could result in a buyers strike in the bond market which could lead to a broader panic and selloff. Who wants to buy the debt of a country that has shown little interest in trying to pay it back? Tariff related uncertainty could also slow growth in the coming months. So far the labor market has held up surprisingly well as companies remember the scars of Covid, but if that were to change we could see a slowdown in consumer spending.

We continue to see more opportunities within illiquid/private markets and will expand on those in separate communications. Within liquid stocks and bonds, diversification is providing the smoothest ride possible. We will continue to proactively dig into some of the more disrupted areas such as real estate and small business lending in search of potential opportunities for portfolios. Candidly, there are not many bargains to be had at the moment. Sometimes owning the market and being patient is the best course of action.