

QUARTERLY COMMENTARY

July 2025



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FEATURED STOCK:
CAMECO CORP. (CCJ)

TOPIC SPOTLIGHT:
STABLECOINS

TURBULENT 2ND QUARTER ENDS WITH MARKET HIGHS

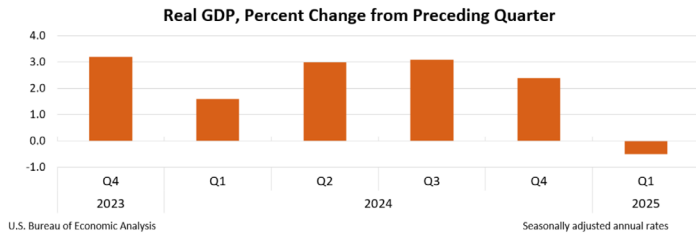
Where do we begin?

Investors were welcomed to the second quarter of 2025 with the “Liberation Day” package of tariff proposals and exited it with “The One Big Beautiful Bill Act”. There was nary an uneventful day in between. Participants in the capital markets navigated the size and impact of proposed tariffs, geopolitical developments (which included a war between Iran and Israel), immigration-related riots, austerity measures through spending cuts initiated by the Department of Government Efficiency (DOGE) and closely watched Federal Open Market Committee (FOMC) meetings, along with heightened scrutiny on corporate earnings. We have written many times in our quarterly commentary that market investors abhor uncertainty, traditionally moving to safe havens during volatile times. The second quarter proved to be an exception. Investors shrugged in the face of domestic and global uncertainties, choosing instead to focus on steady economic growth, strong corporate earnings and resilient consumer spending data, pushing the major equity markets to all-time highs.

The market was not without volatility. The S&P 500 fell over 10% in the first week of April due to the surprising level of the tariff policies introduced and the threat of retaliatory responses by the impacted nations. As the deadlines for tariff enforcement started to extend and critical industries became exempt, the market recovered and erased the earlier decline. Through the halfway mark of 2025, the

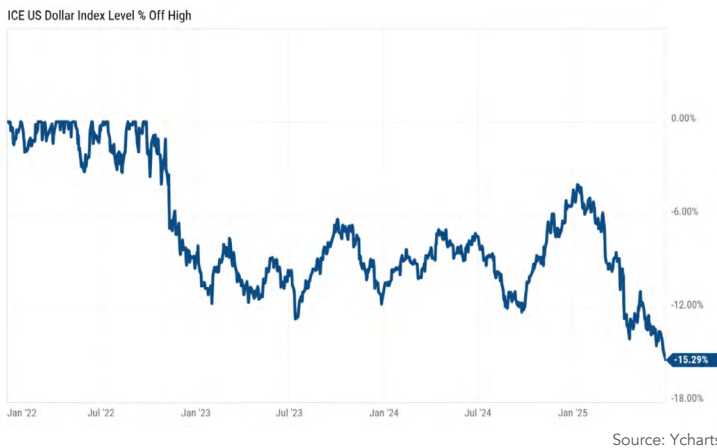
S&P 500 has now appreciated 6.2%, the Dow Jones is up 4.6%, and the Barclays Aggregate Bond Index is up 4.0%. Small company stocks, thought to be the most negatively impacted by the threat of tariffs and the prospect of higher borrowing costs, are down 4.5% through the end of the second quarter. Notable in the second quarter was a resurgence in returns from non-U.S. companies. For nearly 15 years, international stocks have consistently underperformed their U.S. counterparts, but they are performing quite well in 2025, returning 19.9% for developed countries and 15.6%¹ for stocks in emerging markets.

The elevated levels of the stock market represent investor optimism for future opportunities in the global economy, but there are indications that all is not rosy. Toward the end of June, the U.S. Bureau of Economic Analysis (BEA) revised downward their measure of Q1 2025 Gross Domestic Product (GDP) to a negative -0.50%³, attributing the contraction to increased imports and decreased government spending. This decline is the first negative quarter of economic growth in the U.S. since early 2022. In advance of anticipated tariff reform and the efforts of DOGE, many analysts thought those negative factors were only temporary events. Within the GDP revision was also a reduction in the growth of consumer spending, a number that would raise much more concern should it become a trend in future quarters.



The global economy is expected to continue to grow in 2025, albeit at a slower rate than previously expected. Morgan Stanley projects global growth will be 2.9% this year, down from the 3.3%⁴ rate of 2024. Inflation is likely to slow in most countries, including the U.S., which would give central banks cause to cut benchmark rates in an effort to reverse the slowing rate of economic growth.

Another key measure that weakened throughout the quarter was the U.S. dollar's value relative to other major currencies. The U.S. Dollar Index has steadily retreated throughout the year, experiencing its steepest six-month decline in over 50 years.



The U.S. dollar has long been the de facto currency of the global economy. That status has been a result of the large and stable U.S. economy, the relatively consistent regulatory and tax regime, consistent rule of law, and strong liquid financial institutions. The dollar makes up 60% of foreign exchange reserves² and an even greater share of overseas financial settlements. Today, the dollar is facing more potential downside risks than it has in a very long time. A long running fiscal deficit continues to add to U.S. government debt, calling into question the U.S. economy's long-term ability to support it, coupled with the impact of heightened tariffs on foreign trade relationships. Central bank rate cuts would further reduce the attractiveness of holding dollar denominated government debt for foreign buyers. A change from the dollar's supremacy as the global trade currency is unlikely – a viable alternative would need to emerge – but a continued slide of relative value is increasingly likely. The ramifications of a weaker dollar are not entirely negative. U.S. manufactured goods would become less expensive in global markets and U.S. company revenues generated abroad would benefit from the exchange translation relative to previous quarters. However, that

comes with the decline in purchasing power of foreign goods and the associated inflationary pressure for the U.S. as a net importer. An extended period of a weakening dollar is not unprecedented, and the current decline follows a period of a historically strong dollar, but the investment implications are worth keeping a watchful eye on.

The second half will have a difficult time matching the pace of impactful events experienced in the first half of the year. The investment themes we have relied on to build our portfolios remain largely intact:

The Energy Transition is happening, and we highlight Cameco (tkr: CCJ) as our featured stock this quarter. Seemingly every iteration of new technology, coupled with the U.S.'s desire to manufacture more goods domestically, increases the demand for power generation. The ageing infrastructure of our power grid is going to necessitate a massive investment in many solutions, both short and longer term, to address the growing demand.

Capital Investment in Artificial Intelligence (A.I.) related projects is increasing, not subsiding. The hyperscalers, providers of cloud computing and operators of datacenters, have increased their already massive capital expenditure budgets. Companies like Amazon, Meta, and Microsoft are now expected to increase their investments by over 30%⁵ in 2025, a significant increase from the 20% growth expected entering the year. A.I. is an ecosystem of hardware and software under development, with nearly 100,000 software companies claiming to be A.I.-related. The investments promise to drive productivity gains across several economic sectors and lead to increased profits for the companies that most effectively deploy them. A.I. related demand contributed nearly half of the 35% growth reported by Microsoft's cloud reporting unit, and the company processed over 100 trillion token transactions.

International Exposure will be an increasing theme in our portfolios. International stocks should benefit both from improving company earnings outlooks and valuations that are relatively more attractive than their U.S. counterparts. The countries of the Eurozone, for example, had sluggish growth emerging from the pandemic, but many have gained momentum in recent quarters. A declining U.S. dollar will further boost returns for US-based companies with international operations.

For equity investors, selectivity and patience remain paramount. Company valuations are relatively high across large capitalization stocks and remain particularly stretched in certain technology and consumer discretionary sectors. Historically, value-oriented sectors such as financials, healthcare and industrials may offer more attractive entry points, but have been quickest to adjust to policy changes, both positively and negatively.

In fixed income, we continue to favor high-quality credits and have been slightly extending durations (maturities) opportunistically after an extended period of holding (and benefiting from) positions on the short end of the yield curve. We anticipate rate cuts in the second half of the year but feel there will be inflationary pressures that continue to disappoint those desiring an aggressive FOMC.

¹YCharts Data

²JP Morgan Private Bank (2025). Is this the downfall of the U.S. Dollar?

³Bureau of Economic Analysis: June 26, 2025, Press Release.

⁴Morgan Stanley (2025). Midyear Economic Outlook: A Widespread Deceleration

⁵Empirical Research Partners (2025). Hyperscalers, Hyperspenders, Hyperextended

REVERSE MORTGAGES EXPLAINED

For many families, their home represents their largest untapped asset. A reverse mortgage offers a way to convert that equity into liquidity without the burden of monthly payments or the need to sell. Reverse mortgages provide tax-free supplemental income that can fund long-term care or health care needs, and most importantly, honor your intention to age in place. However, like many financial tools, a reverse mortgage can be a complex tool that warrants some analysis in the context of your broader wealth management picture.

What is a Reverse Mortgage? A reverse mortgage is a type of loan that allows homeowners to convert part of their home equity into cash. Instead of making monthly payments to a lender like with a traditional mortgage, the lender pays you - effectively working in "reverse" as the name implies. The principal amount and any accrued interest are due in full when the borrower (or eligible spouse) sells the property, passes away, or no longer uses the property as their primary residence.

The most common reverse mortgage loan is the Home Equity Conversion Mortgage (HECM), which is insured by the Federal Housing Administration (FHA). HECMs are available to homeowners age 62 and older; although, some proprietary (or "jumbo") reverse mortgages are offered by private lenders for those age 55 and up, issued by state or local governments¹.

Additional HECM-eligibility requirements include:

- ✓ You must either own your home outright or have a low mortgage balance.
- ✓ You cannot owe any federal debt (i.e., federal income taxes or federal student loans).
- ✓ Your home must be your primary residence.
- ✓ You must receive counseling from a HUD-approved reverse mortgage counseling agency to understand the intricacies of reverse mortgages

How Does a Reverse Mortgage Work? The borrower can receive funds in one lump sum payment, a line of credit, a series of monthly payments, or a combination of these. Regardless of the payment method, interest and fees do still accrue. This means that your loan balance will increase over time, since payments are not being made against the debt. As a borrower, you are responsible for paying homeowners insurance, property taxes, any HOA fees, and ensuring your home is well maintained.

How Much Can I Borrow? With a HECM, the maximum loan amount is \$1,209,750 in 2025. However, the principal limit is the maximum amount you can borrow and depends on three key factors:

3 Key Factors

- Interest Rates.** Lower rates increase your principal limit.
- Age.** Older borrowers qualify for higher principal limits. (If you are married or co-borrowing with another individual, the principal limit is determined by the age of the youngest borrower, or eligible non-borrowing spouse).
- Your Home's Appraised Value.** The maximum claim amount will be the lesser of your home's appraised value or the current FHA lending limit.

Important Considerations.

- Upfront costs associated with reverse mortgages can be substantial and can include origination fees, mortgage insurance premiums, and closing costs that can amount to 3-5% of the home's value.
- Scams can be common in the reverse mortgage industry. In particular, the Consumer Financial Protection Bureau (CFPB) cautions older adults to be on alert for scams targeting veterans or involving home contractors who may convince you take out a home mortgage to pay for repairs or improvements to your home.
- Alternatives to a reverse mortgage, such as home equity loans and lines of credit, can help homeowners access their home's value while potentially offering better terms, lower cost, or greater flexibility.
- A reverse mortgage does not affect Social Security or Medicare because the payments are treated as loan proceeds, not income. However, for means-tested benefits like SSI and Medicaid, reverse mortgage funds can count as assets or may reduce or disqualify eligibility if not carefully managed.

Reverse mortgages are not suited for everyone, but they can be a strategic planning tool for individuals who want to stay in their home, have meaningful home equity, and a need for liquidity. As always, careful planning and professional guidance are key, and we welcome the opportunity to discuss this in the context of your financial situation.

Common Questions.

What happens if I move to a healthcare facility?

If you move into a nursing home, your reverse mortgage typically becomes due after 12 months, unless your spouse is also a co-borrower. If your spouse is a co-borrower, they can stay in the home and there is no outstanding payment due. If they are not a co-borrower, they might qualify as an eligible non-borrowing spouse and stay in the home under certain conditions.

What happens if my heirs want to keep my home?

If your heirs want to keep your home after you (and spouse) pass away, they will need to repay the full loan balance or 95% of the home's appraised value - whichever is less. Otherwise, your heirs generally have about six months to repay the reverse mortgage- either by selling the home or refinancing².

¹Consumer Financial Protection Bureau: What is a reverse mortgage?

²U.S. Department of Housing and Urban Development: Home Equity Conversion Mortgages for Seniors

PORTFOLIO ACTIVITY

Our portfolio activity during the second quarter of the year focused on adjusting our portfolio to the evolving macro environment, which largely led to right-sizing certain positions where our conviction had diminished. In total, we were net buyers of fixed income and net sellers of equities, with our fixed income purchases weighted heavily to the shorter duration and cash equivalents like money market funds.

Within the portfolio, our key activity this quarter involved exiting three names, trimming one down to a smaller size, and taking advantage of the market dislocation around tariffs to harvest some tax losses while maintaining our equity exposure. In terms of sales, we closed our positions in Landstar (LSTR), TreeHouse Foods (THS), and Oracle (ORCL). Our single trim was for Trane Technologies (TT), and our tax loss trade was centered around Merck & Co (MRK).

We trimmed our position in Trane Technologies as the success of our stake led it to become a larger part of our portfolio than we had desired. We continue to hold a significant position in the stock and believe the company remains poised to dominate the HVAC market across industries. We also took advantage of the decline in Merck's stock during the quarter to initiate a tax loss swap while holding exposure to the sector, and we unwound our swap before the end of the quarter. Merck remains our largest healthcare position.

With Landstar, our initial thesis with the name rested on both a recovery in the full truckload transportation market as well as growing trade relations between the U.S. and Mexico through reshoring. Despite the headlines, the latter has continued to occur, though at a slower pace than we had hoped, while the truckload market has

Index Performance	YTD	Q2
Dow Jones Industrial	4.55%	5.46%
Standard & Poor's 500	6.20%	10.94%
Nasdaq Composite	5.85%	17.96%
MSCI EAFE (Europe, Australasia, Far East)	19.45%	11.78%
Russell 2000 (Small Company)	-1.78%	8.50%
MSCI ACWI (All Country World Index)	10.05%	11.53%
Barclays Intermediate Term Bond	4.02%	1.21%
Barclays Municipal Bond	-0.35%	-0.12%
Barclays Short Term Bond	3.56%	1.50%

taken longer to correct due to a major overhang from pandemic distortions in the market. We decided to close our position while this situation plays out.

We also closed our stake in TreeHouse Foods, a private label manufacturer of grocery items for some of the largest retailers in the U.S. We believed that TreeHouse would accrue scale and power as the major pure-play white label manufacturer and as private label sales continued to grow. However, over the last several months we became convinced that the economic power was actually driving to the retailers. We exited our position and have identified a replacement which we will add on future weakness.

Finally, after years of owning a small stake in Oracle, we also decided to exit our position. Oracle has seen tremendous growth in its stock price over the last two years, and we continue to believe that the company will be a major player in the evolution of cloud computing. However, its tone recently shifted to substantially embracing much higher spending in the future to drive this growth, all while running down its cash balances and allegedly offering certain services at a discount to its major competitors. We believe that Oracle's sky-high valuation (all-time highs outside of the 2000s tech bubble) doesn't compensate investors adequately for what we see as higher risks moving forward.

TOP 10 U.S. HOLDINGS

Apple

Microsoft

Alphabet

Amazon

Trane Technologies

JPMorgan Chase

American Tower

Walt Disney Co

Take-Two Interactive

Visa

STAFF SUMMER PICKS

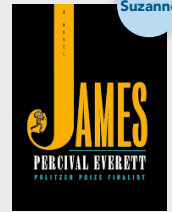
The Magnificent Lives of Marjorie Post, book by Allison Pataki:

This historical fiction novel follows the remarkable life of Marjorie Post, the heiress to the Post cereal fortune. Marjorie's life blends philanthropy and resilience as she both builds her father's company into General Foods and explores her deep responsibility to use her wealth for the greater good. This is a lovely story of a trailblazing woman who helped shape American culture, business, and society! in the Vietnam War.



Ella

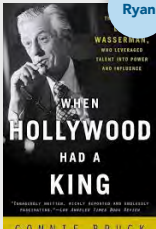
James, book by Percival Everett: A smart, funny, and moving retelling of The Adventures of Huckleberry Finn from the enslaved Jim's perspective. It gives Jim a strong, thoughtful voice and lets us see the story in a whole new light. Everett blends humor, heart, and sharp social insight to create something fresh and powerful. A really original and memorable book.



Suzanne

When Hollywood Had a King, book by Connie Bruck:

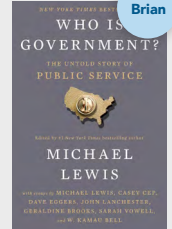
This story chronicles the rise and reign of Lew Wasserman, who transformed MCA from a talent agency into a Hollywood empire and wielded immense behind-the-scenes power in film, television, and politics. The book explores his revolutionary business strategies, key relationships—including with Ronald Reagan—and the eventual decline of his influence as corporate interests reshaped the industry.



Ryan

Who is Government? The Untold Story of Public Service, book by Michael Lewis:

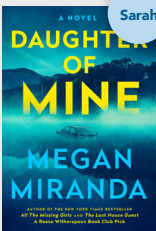
The famous author of Moneyball provides a collection of essays from a talented cast of writers that shed a spotlight on work being done by some public servants. Readers may be surprised to learn that the highest rating of any entity, private or public, in the American Customer Satisfaction Index (ACSI), surpassing the likes of Costco and Apple, is a government agency within the U.S. Department of Veteran Affairs.



Brian

Daughter of Mine, book by Megan Miranda:

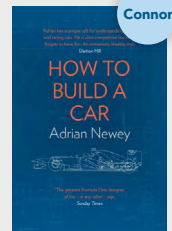
Mystery with a bit of thrill, this novel is full of twists and turns amidst its plotline centered around an unexpected return home after the death of a parent. Follow along as the story uncovers untold secrets and complicated friendships of this small town. Hazel Sharp unexpectedly inherits her childhood home, and the story follows her on her venture to understand why. Full of hidden mysteries, this fast-paced novel leaves most answers for the very end.



Sarah

Connor – How to Build a Car, book by Adrian Newey:

This autobiography follows the journey of the world's greatest Formula 1 designer, from his childhood concept sketches to working at the pinnacle of motorsport and drives readers through his lifelong pursuit of perfection. From unbelievable triumphs to harrowing tragedies, Adrian shares in-depth detail from his designs and life experiences reflective of his genius, devotion, and success.



Connor

FEATURED STOCK: CAMECO CORP. (CCJ)

Cameco Corp. is the largest pure-play public company in the uranium and nuclear fuel space, providing the tools necessary for carbon-free energy production at scale. The company's operations span the nuclear fuel cycle - including uranium mining, refinement, enrichment, and fuel fabrication – and it typically sells to nuclear power producers through long-term supply contracts. As public opinion in support of nuclear energy continues to gain momentum, Cameco is in prime position for continued success within the nuclear energy theme via market leadership and a history of success.

We believe Cameco is the best name in the space for several reasons – its extensive production capabilities, a growing supply-demand imbalance, and targeted expansion into lucrative markets. In terms of production capabilities, Cameco can produce up to 30 million pounds of uranium annually from its main project sites in Canada and Kazakhstan, while retaining proven reserves in the U.S., Northern Canada, and Australia that can be exploited under attractive market settings. The differentiating value proposition for Cameco is their complete offering chain, providing end-to-end services across the complex nuclear fuel chain from raw production into an enriched final product.

Cameco is also positioned to benefit from the broad demand growth and restricted supply for nuclear energy. On the supply side, uncovered fuel requirements for utility providers are near all-time highs, thanks to persistent long-term contract prices. The spot market for this fuel is extremely volatile, so larger suppliers like Cameco are already recognizing pricing power as utilities come to the negotiating table. In addition to bare minimum requirements, nuclear is experiencing a demand boom above and beyond the broader power market due to the desire for reliable and carbon-free energy. Reactors are being restarted, expanded, and newly built to keep up with demand from electrification and data centers, with companies paying a rising

premium for power purchase agreements and newbuild exclusivity.

Finally, Cameco has supplemented its core business with tangential, smart investments into high-growth markets. It acquired a 49% stake in Westinghouse to supplement its nuclear fuel and services business, including a strong U.S. and European presence, and has seen a significant top-line boost as Westinghouse grows to be a key player in the reactor design and maintenance space across the globe. Cameco is also invested in Global Laser Enrichment (GLE), a cutting-edge uranium enrichment firm with late-stage technology that could drive dramatic production efficiencies for Cameco.

Power demand from A.I. data centers, electric vehicles, and broader electrification has begun to drive the energy sector towards an all-of-the-above growth path, and we believe nuclear is likely to outperform other sectors due to its climate-friendliness and scalable stability. Cameco has been a leader in the nuclear supply chain since its inception, and we believe the company has multiple short and long-term tailwinds conducive to significant growth.



Source: Ycharts

CRYPTO'S MIDDLE GROUND: WHY STABLECOINS MATTER

Topic Spotlight

While cryptocurrencies continue to gain more attention, a very specific type of cryptocurrency became the latest focus at the end of the second quarter - stablecoins. At the core, stablecoins are digital assets or digital coins that peg their value to a target price of another asset in order to keep the price constant. Hence, while some crypto assets like Bitcoin or Ether can fluctuate significantly on a daily basis, stablecoins remain stable.

There are a number of different kinds of stablecoins, and the key difference between them relates to what asset they are pegged to and how the peg is established. The most common type is fiat-backed or hard asset-backed stablecoins, which means the value of the coin is supported by either a pool of legal tenders or by commodities like gold or oil. Crypto backed stablecoins are slightly different, in that instead of using a pool of actual currency or physical assets, the stablecoin is supported by collateral posted in a digital token like Bitcoin. And finally, the last major type of stablecoins are algorithmic, non-collateralized stablecoins – these coins have no collateral backing their value, and the issuers adjust the supply or demand of the coin in order to keep the price at a steady level.

Stablecoins originated as a sort of digital cash for cryptocurrency transactions, with the idea being that if you sold a cryptocurrency, you could keep the proceeds in stablecoin until the time you decided to purchase another. That structure has continued to evolve as the crypto markets have grown, with the greater crypto market now worth about \$3.2T vs. stablecoins at around \$240B in total value today¹. In contrast, there's around \$22T of U.S. dollars

in supply today¹, implying significant upside if stablecoins are to compete with the USD.

One of the more interesting emerging cases, however, is for payments between both consumers and businesses. Stablecoins are generally faster and cheaper than legacy payment types since there's no interchange fee paid out on the blockchain and because transfers on blockchain are nearly instantaneous and can be submitted 24/7 throughout the entire year. These benefits are likely to drive earlier movement on the consumer payment side, while business payments will have several obstacles to overcome.

Chief among those obstacles is regulatory uncertainty, which is witnessing a first attempt at clarity with the GENIUS Act currently in Congress, though more regulation will likely be necessary. But other key issues remain as well – compliance, integration with other networks and enterprise software/IT stacks, customer willingness to accept stablecoin², and perhaps most importantly, a significant impetus to move away from fiat transactions.

This last point is likely the most important for near-term adoption, as without any kind of monetary or profit incentive, growth in the payments space could be slow. We are evaluating stablecoins today as an investable theme within our portfolio, and we expect the next few months to illuminate the opportunity for stablecoins beyond a crypto crutch.

¹J.P. Morgan Equity Research

²PYMNIS