

YOUR MID-YEAR LETTER

It's our pleasure to report to you on the progress of your portfolio during the rather tumultuous first six months of this very eventful year.

As always, let's first remember a handful of the timeless truths about enduringly successful wealth management—principles that guide our work together toward your goals. Then we can proceed with some more current observations.

GENERAL PRINCIPLES

- We are goal-focused, plan-driven, long-term equity investors. Our portfolios are derived from, and driven by, your most important lifetime financial goals, not any view of the economy or the markets.
- We don't believe the economy can be consistently forecast, or the markets consistently timed. Nor do we believe it is possible to gain any advantage by going in and out of the equity market, regardless of current conditions.

- We therefore believe that the most efficient method of capturing the full premium compound return of equities is by remaining fully invested all the time.
- We are thus prepared to ride out the equity market's frequent, often significant but historically always temporary declines.

CURRENT COMMENTARY

- If you looked at the equity market on the first trading day of this year, and not again until the end of June, you could be forgiven for concluding that not much, if anything, had happened. In fact, a great deal has happened but at least so far, to no lasting effect.
- The S&P 500 Index made a new all-time high on February 19th. By April 8th, it had closed 18.9% lower. And even that doesn't express the degree of sheer panic, there's no other word for it, that enveloped the markets upon President Trump's announcement (on April 2) of a dramatically increased tariff protocol.

- The panic ended just as abruptly after Mr. Trump announced a 90-day postponement of most of the new tariffs. And in the seven weeks or so since then, buoyed by continued strength in the economy and signs that inflation may be continuing to moderate, the Index returned to the neighborhood of its early January levels.
- As it virtually always is, the optimal course of action for long-term investors was simply to continue working your plan. That's what we encouraged you to do. And as the second half of the year begins, that recommendation stands. Please don't mistake this for an economic or market outlook. We have no such forecast for the next six months, any more than we did on January 1.
- Our only forecast is that excellent businesses of the kind we own will go on innovating over time, increasing their earnings, raising their dividends, and supporting our clients' pursuit of their long-term goals.

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*"The function of
economic forecasting is
to make astrology look
respectable."*

- JOHN KENNETH GALBRAITH

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(continued)

- Panic doesn't often seize the investing public as suddenly as it did in the first week of April, nor vanish as suddenly as it did the following week. Still, this episode can and should serve as a kind of tutorial.
- It's lesson: investors succeed over time by continuously working their plan regardless of the current "crisis." Others fail by reacting to negative events and liquidating even the highest quality equities at panic prices. We believe that's always the fundamental choice in investing, and our mission is to help you continue to choose wisely.

We welcome your comments and questions. Thank you, as always, for being our clients. It is a privilege to serve you.

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HAVING A WONDERFUL SUMMER!**