

# 2025 Market Outlook Mid-Year Update

the Prudent Speculator

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With more than 80 years of collective experience in a wide variety of market environments, the California Team maintains a consistent approach of buying relatively undervalued stocks for their appreciation potential.



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Editor, The Prudent Speculator

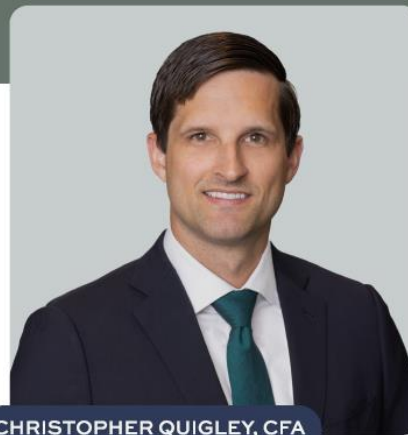
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# Content

July 3, 2025

## the Prudent Speculator

Established in March 1977 · 20 Enterprise, Suite 305 · Aliso Viejo, California 92656 · 800.258.7786

Operation Spider Web escalated hostilities in the Russo-Ukraine War. The Musk-Trump relationship disintegrated with a flurry of nasty social media posts over the Big, Beautiful Bill. ICE protests in Los Angeles compelled the President to call in the National Guard. Air India Flight 171 crashed shortly after take off in Ahmedabad, killing 260 people. U.S. airstrikes on Iranian nuclear facilities raised the stakes in the Middle East. No doubt, there was hardly a shortage of disconcerting headlines last month.

Toss in weaker-than-expected numbers during the month for ISM Manufacturing, Factory Orders, Wards Vehicle Sales, ISM Services, Empire Manufacturing, Retail Sales, Industrial Production, Philly Fed, Housing Starts, Consumer Confidence and New Home Sales and it wasn't a big surprise that the World Bank, the OECD and the Federal Reserve all downgraded their outlooks for U.S. economic growth.

And the Fed, despite pressure from the White House, left interest rates unchanged at the June FOMC Meeting, with Chair Jerome H. Powell reminding, "The Fed has been assigned two goals for monetary policy—maximum employment and stable prices. We remain committed to supporting maximum employment, bringing inflation sustainably to our 2 percent goal, and keeping longer-term inflation expectations well anchored."

Sounds like there were some stiff headwinds blowing...as is often the case...yet equities enjoyed a terrific June, with the Dow Jones Industrial Average jumping 1824 points (more than 4.3%), and the S&P 500 soaring 5.1%. Believe it or not, both of those benchmarks closed out the first half of the year at all-time highs, continuing a massive recovery from the *Liberation Day* lows.

Once again, investors have been reminded that far more money has been lost in trying to anticipate corrections than has been lost in the corrections themselves, as evidenced by the decidedly pessimistic readings over the last three months on the weekly American Association of Individual Investors (AAII) Bull-Bear Sentiment Surveys. *'Twas ever thus*, as our founder Al Frank would say.

**"There would be nothing to frighten you if you refused to be afraid."**  
— Mahatma Gandhi

Alas, they don't ring a bell to sound an all-clear signal and stocks often climb a Wall of Worry. Indeed, despite corrections and even Bear Markets along the way, equities have managed to trend higher throughout our sometimes-turbulent history, with stock prices and corporate profits, which are measured in actual (not inflation-adjusted) dollars, benefitting over time from both real and nominal economic growth.

It is amazing that so many think they can outguess the gyrations, egged on by the press that finds the proverbial glass half-empty or half-full based on short-term moves. For example, *The Wall Street Journal* summed up Q2 by writing: *Now, investors have more reasons to feel upbeat. Both the S&P 500 and Nasdaq Composite Index hit fresh all-time highs. Robust corporate earnings and solid economic data suggest that growth remains resilient. Inflation is trending near the Federal Reserve's 2% target. Banks that slashed their year-end targets for the S&P 500...are raising them again.*

Yes, there are reasons to be sanguine. The labor market continues to be healthy and an economic soft-landing seems like it is in the cards when many were betting we now would be in recession. As such, those lower economic figures and projections cited earlier were arguably already discounted. Further, analysts continue to estimate handsome earnings growth for Corporate America this year and next, and the Federal Reserve looks likely to lower interest rates several times over the next 12 months.

Of course, a different tune was playing back in April, with the doom-and-gloom sirens flooding the airwaves, warning of further perilous sailing, but our song always remains the same. Ignore the cacophony and let a broadly diversified portfolios of undervalued stocks (the NTM P/E is 15 and yield is 2.4% for TPS Portfolio) be your lullaby!

Editor  
Principal, Portfolio Manager

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### Investment Insights

These insights are generally shorter, more targeted pieces that address timely opportunities or respond to recent market developments. They serve as quick-hitting, actionable ideas for subscribers while still adhering to The Prudent Speculator's long-term, value-oriented investment approach.

Prudent Speculator

INVESTMENT INSIGHT

**How to Invest in an Uncertain World**

Investment Insight: Investing in Uncertain Markets

May 8, 2025

Prudent Speculator

Investment Insight

**Decoding A.I. and Generating Investment Ideas**

Investment Insight: Decoding A.I. and Generating Investment Ideas

February 25, 2025

## Market Commentary Monday, July 7, 2025

July 6, 2025

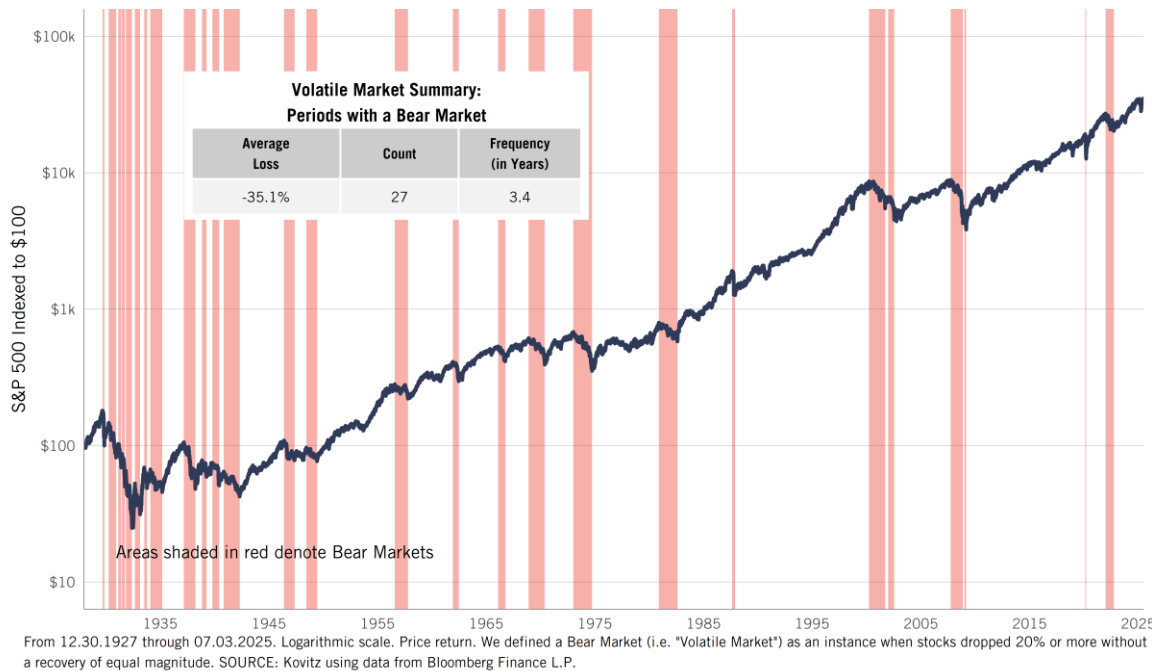
### EXECUTIVE SUMMARY

- Week – V-Shaped Bull Market Rally from Post-Liberation-Day Lows Gained Steam
- Volatility – The Longer the Hold, the Less the Chance of Loss
- Value of Dividends – Higher Returns and Lower Risk
- EPS – Corporate Profit Growth in 2025 and 2026 Remains the Expectation
- Econ News – Better-than-Expected Numbers but Growth Still the Forecast
- Wall of Worry – Always Something to Fret About, but Long-Term Trend has been Higher
- Sentiment – After 25%+ Rebound, AAII Finally Registers More Bull than Bears
- Fed – Unemployment Low, But Rate Cuts Expected This Year and Next
- Valuations – Attractive Metrics for Value Stocks

**“If you do not change direction, you may end up where you are heading.”**

**—Lao Tzu**

# THE PRUDENT SPECULATOR



*I mentioned that we started out as an agricultural society. We started out as a society with high promises, and we didn't deliver on them very well. We're always in the process of change. We'll always find all kinds of things to criticize in the country, but the luckiest day in my life is the day I was born [because] I was born in the United States.*

*We've gone through great recessions, we've gone through world wars, we've gone through the development of an atomic bomb that we never dreamt of at the time I was born, so I would not get discouraged about the fact that it doesn't look like we've solved every problem that's come along. If I were being born today, I would just keep negotiating in the womb until they said you can be in the United States.*

- Warren Buffett, 05.03.2025



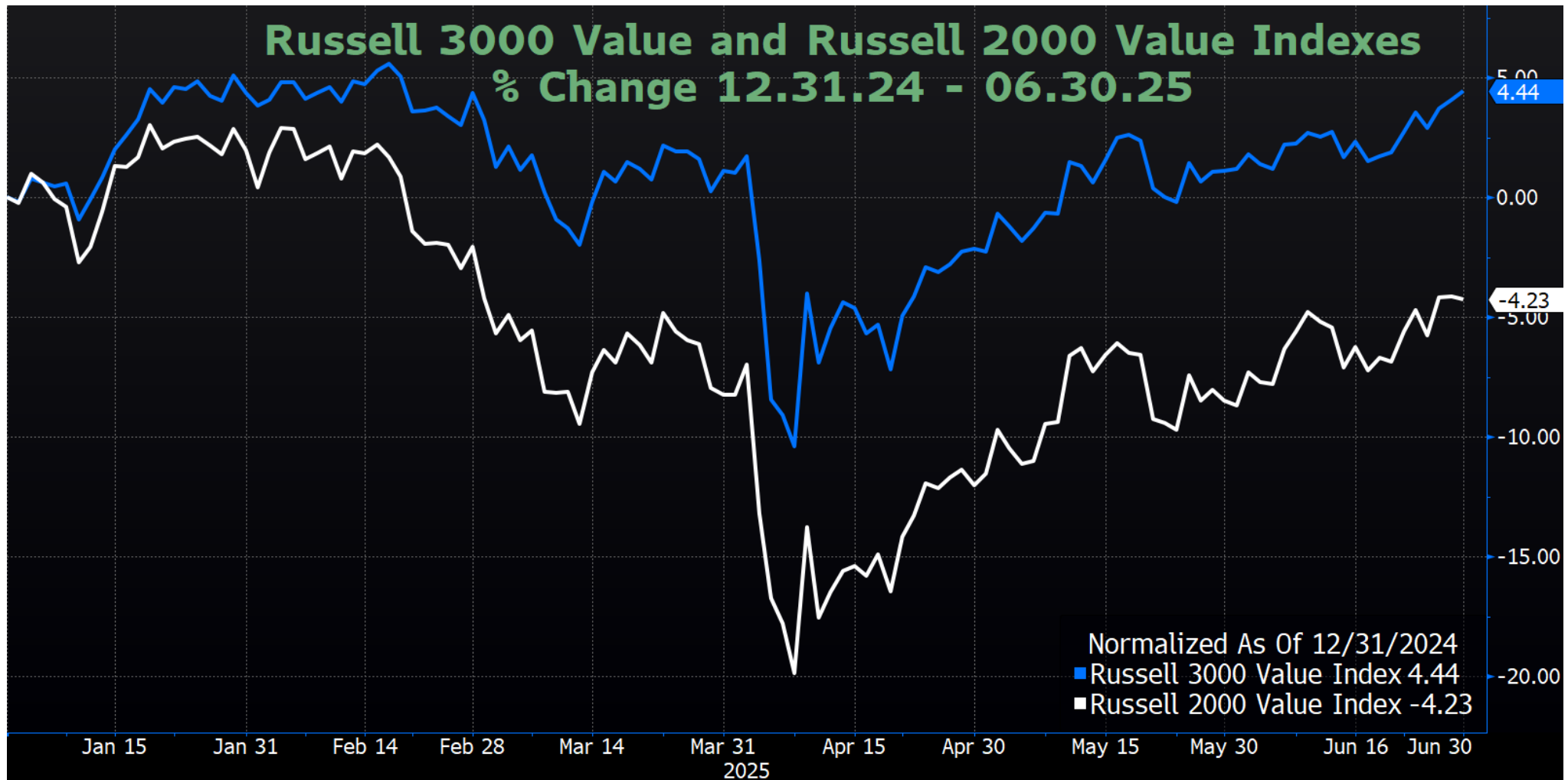
# *Mid-Year 2025 Update*

## **A Look Back - Turbulent H1**





It was quite the roller-coaster ride in the first half of 2025, though Value stocks held up marginally better during the April plunge. Happily, even as Small-Cap Value stocks were in the red for H1 with the Russell 2000 index off 4.2%, the large-cap-dominated Russell 3000 Value index enjoyed a V-shaped recovery that propelled the benchmark to decent gains for the period.





**“Fear cannot be banished, but it can be calm and without panic; it can be mitigated by reason and evaluation.”**

**– Vannevar Bush**



# Tariffs



### What's News

**Business & Finance**

- The Dow plunged 2,200 points, or 5.5%, and the S&P 500 fell nearly 6% to close Wall Street's worst week since 2020 as Trump's trade war escalated, with China declaring it would impose sweeping tariffs on all U.S. goods. The Nasdaq entered bear market territory with its decline of 5.8%, A5, A7
- Fed Chairman Powell said the U.S. economy was likely to face a period of higher prices and weaker growth because of tariff hikes, A5
- Ticking marketplaces

## Market Carnage Worsens

Dow plunges 2,200, Nasdaq enters bear territory after China counters U.S. tariffs

The Dow Jones Industrial Average plunged 2,200 points and the S&P 500 fell nearly 6% on Friday to close Wall Street's worst week since 2020, as President Trump's trade war escalated, with China declaring it would impose sweeping tariffs on all U.S. goods.

By Vicky Gao Huang, Krystal Hui and Jonathan Rosenthal

Worst week since 2020, as President Trump's trade war escalated, with China declaring it would impose sweeping tariffs on all U.S. goods.

## March Hiring Topped Forecasts

Employers added jobs in March at a much stronger pace than expected, a sign that the labor market remained strong despite economic uncertainties, government layoffs and market turbulence.

The U.S. added 228,000 jobs last month, the Labor Department reported Friday, well above the gain of 180,000 jobs that economists polled by The Wall Street Journal had forecast.

"All the News That's Fit to Print"

# The New York Times

VOL. CLXXIV . . . No. 60,480     © 2025 The New York Times Company     SATURDAY, APRIL 5, 2025     Prices in Canada may be higher     \$4.00

## TRUMP'S TARIFF PUSH SENDS MARKET REELING

**A Slide Deepens**

Stocks fell for a second day, with the S&P approaching bear market territory, as worries about an escalating global trade war overshadowed a positive reading about the health of the U.S. job market. Page B1.

### Where Levies Hit Hardest

These countries, below, whose economies are deeply reliant on selling goods to the U.S., are some of the most vulnerable to the sweeping new tariffs. But they aren't alone in facing economic risk. Page A10.

EXPORTS TO U.S. AS SHARE OF G.D.P.	NEW TARIFF
Vietnam 29%	+46%
Cambodia 27%	+49%
Nicaragua 24%	+19%
Guayana 23%	+38%
Taiwan 19%	+32%
Thailand 12%	+37%
Malaysia 12%	+24%
South Korea 7%	+26%
Switzerland 7%	+32%
Jordan 6%	+20%
Venezuela 6%	+15%

Many of the hardest-hit countries are close American allies.

### China Hits Back, Targeting Rival in Its Wallet

By KEITH BRADSHAW and DAVID PIERSON

BEIJING — China struck back hard on Friday at President Trump's new global tariffs in a rapid-fire series of policy announcements intended to inflict damage on the American economy.

China's Finance Ministry said it would match Mr. Trump's plan for a 34 percent tariff on goods from China with its own 34 percent tariff on imports from the United States.

Separately, China's Ministry of Commerce said it was adding 11 American companies to its list of "unreliable entities," essentially barring them from doing business in China or with Chinese companies. The ministry imposed a licensing system to restrict exports of seven rare earth elements that are mined and processed almost exclusively in China and are used in everything from electric cars to smart bombs.

The Commerce Ministry also announced it was beginning two trade investigations into American exports of medical imaging equipment — one of the few man-

### Biggest Tumble in Stocks Since Pandemic

By JOE RENNINGSON and DANIELLE KAYE

Investors around the globe this week sent President Trump a clear message about his new tariff policy, announced triumphantly as a remarking of the economic order.

They don't like it. The S&P 500 fell 6 percent on Friday, bringing its losses for the week to 8.1 percent. Stocks hadn't fallen this far this fast since the early days of the coronavirus pandemic — it was the steepest weekly decline since March 2020.

As then, the S&P 500 is quickly approaching bear market territory, a drop of 20 percent from the latest high and marks extreme pessimism among investors. By Friday, the index was down more than 17 percent from its February peak. The tech-heavy Nasdaq Composite and the Russell 2000 index of smaller companies, which are more sensitive to changes in the economic outlook, have both already fallen into a bear market. Around the world, stocks have tumbled.

But this meltdown wasn't driven by the emergence of a new and

News about Jim Cramer 1987

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NEW YORK POST · 4d · on MSN

CNBC host Jim Cramer warns of 'Black Monday' market crash over Trump tariffs rivaling record 1987 collapse

CNBC host and market commentator Jim ...

BENZINGA · 3d

Jim Cramer Sees Same Pattern As 1987 'Black Monday' Crash, Wonders...



The Daily Caller o... · 3d

CNBC's Jim Cramer Predicted Trump's Tariffs Would Cause 'Black Monda...



Jim Cramer  
@jimcramer



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Look i don't want a repeat of '87 of course. But i traded during that period and remember each day well.. We knew to sell.. and we are proud we did. But we felt like idiots because the week BEFORE the crash was so bad and we were late to sell

1:46 PM · 4/4/25 · 179K Views



Certainly, we won't mind if we must save the graphic below from April 7, 2025, to prove that there was a Bear Market this year, but the official record of declines of 20% or more is based solely on closing index levels. Of course, given that one trades when the markets are open, a drop on an intraday basis of 20%+ qualifies as a Bear Market by our way of thinking.



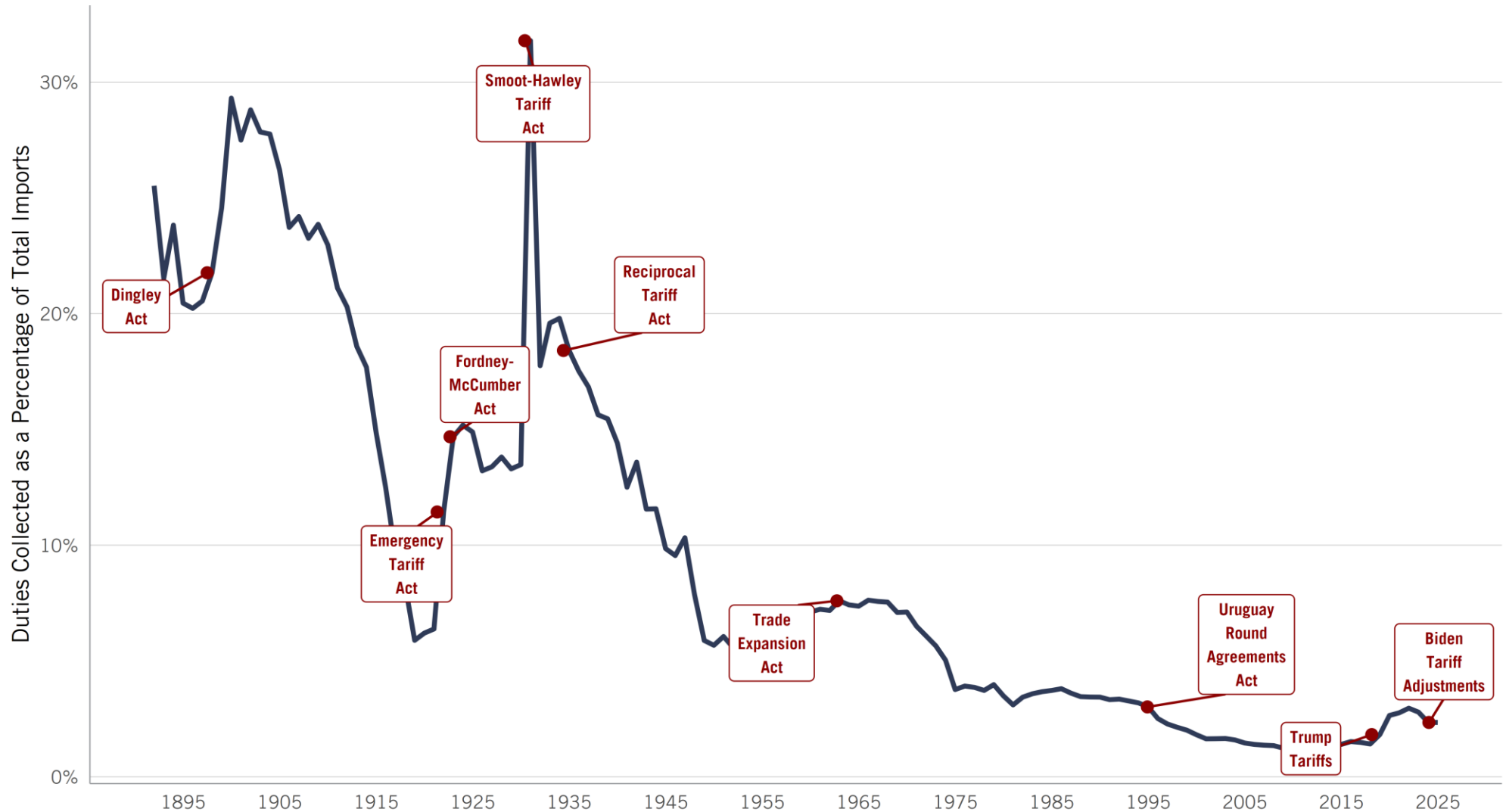
Although we have long believed that uncertainty is the friend of the buyer of long-term value, it often is the enemy of short-term-oriented traders. And, given the draconian tariffs announced on 04.02.25 by President Trump, we have uncertainty in spades. To be sure, Corporate America in the fullness of time has long proved adept at navigating tariffs, supply-chain issues, regulations, inflation and recessions, but the S&P 500, Nasdaq Composite and Russell 3000 indexes all pierced the Bear Market level intraday on April 7 and April 8, while the average stock in the Russell 3000 and Russell 3000 Growth indexes entered a Bear Market on a closing basis.

## 2024/2025 Bear Market

52-Wk High	Current	Perf	Instrument	52-Wk High	Current	Perf	Instrument
2/19/2025	4/8/2025	-22.40%	Russell 3000 Average Stock	12/26/2024	4/8/2025	-24.22%	Russell 3000 Growth Average Stock
12/4/2024	4/8/2025	-16.48%	Dow Jones Industrial Average	2/19/2025	4/8/2025	-15.99%	S&P 500 Pure Growth Index
12/16/2024	4/8/2025	-24.43%	NASDAQ Composite Index	11/25/2024	4/8/2025	-10.50%	S&P 500 Pure Value Index
2/19/2025	4/8/2025	-19.36%	Russell 1000 Index	2/4/2025	4/8/2025	-22.96%	S&P 500 Communication Services
11/25/2024	4/8/2025	-28.61%	Russell 2000 Index	12/18/2024	4/8/2025	-28.33%	S&P 500 Consumer Discretionary
2/19/2025	4/8/2025	-19.53%	Russell 3000 Index	3/4/2025	4/8/2025	-9.91%	S&P 500 Consumer Staples Sector
2/19/2025	4/8/2025	-18.95%	S&P 500 INDEX	4/12/2024	4/8/2025	-22.32%	S&P 500 Energy Sector GICS Lev
12/16/2024	4/8/2025	-23.57%	Russell 1000 Growth Index	3/3/2025	4/8/2025	-16.32%	S&P 500 Financials Sector GICS
11/29/2024	4/8/2025	-16.51%	Russell 1000 Value Index	9/3/2024	4/8/2025	-15.49%	S&P 500 Health Care Sector GIC
11/25/2024	4/8/2025	-29.16%	Russell 2000 Growth Index	11/27/2024	4/8/2025	-19.12%	S&P 500 Industrials Sector GIC
11/25/2024	4/8/2025	-28.06%	Russell 2000 Value Index	12/26/2024	4/8/2025	-27.15%	S&P 500 Information Technology
12/16/2024	4/8/2025	-23.64%	Russell 3000 Growth Index	10/18/2024	4/8/2025	-24.05%	S&P 500 Materials Sector GICS
11/27/2024	4/8/2025	-17.06%	Russell 3000 Value Index	11/27/2024	4/8/2025	-18.20%	S&P 500 Real Estate Sector GIC
1/24/2025	4/8/2025	-13.77%	S&P 500 Growth Index	11/27/2024	4/8/2025	-11.90%	S&P 500 Utilities Sector GICS
11/29/2024	4/8/2025	-12.21%	S&P 500 Value Index				

Price Returns for Indexes and Total Returns for Average Stock. Source Kovitz using data from Bloomberg

Tariffs have long been part of the global landscape, though the effective rates in the past generally were far lower than the levies on the table in the current Trade War.



From 1891 through 2024. SOURCE: Kovitz using data from USITC DataWeb





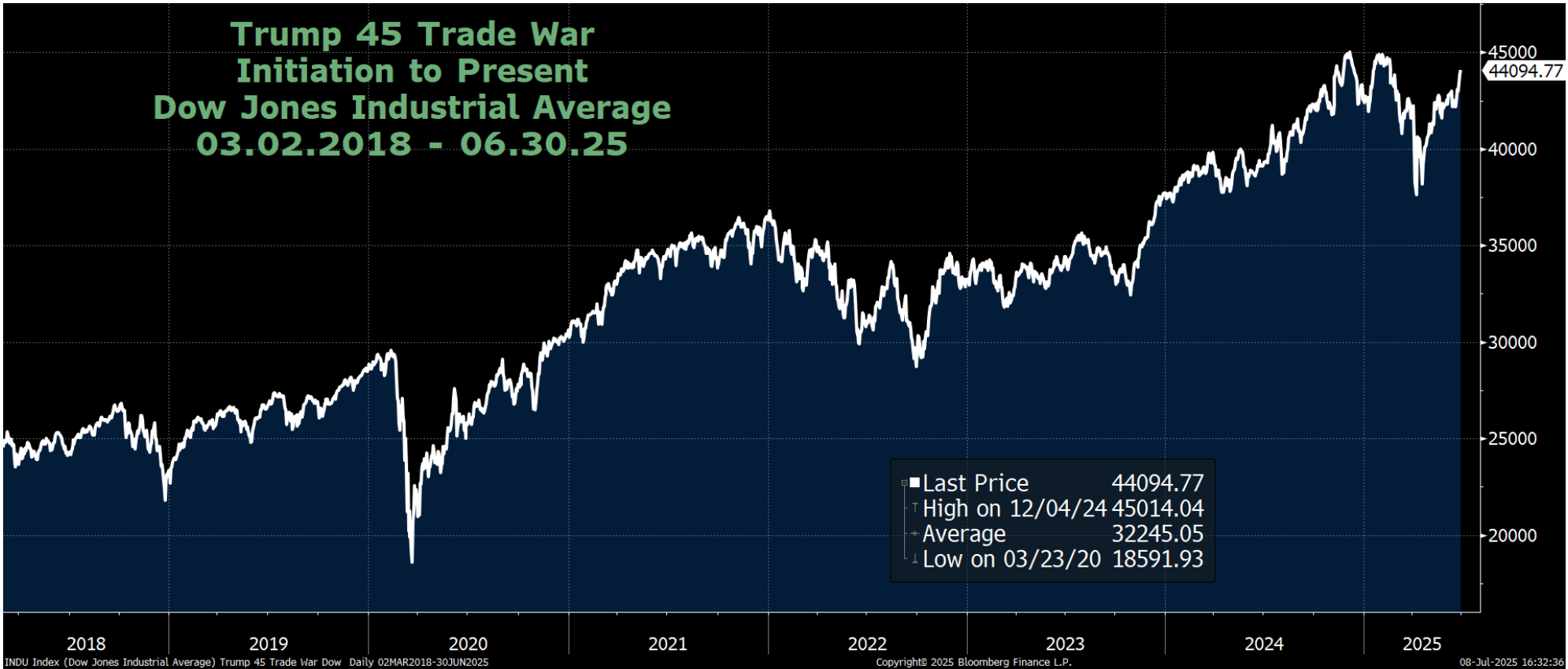
Donald J. Trump   
@realDonaldTrump

Following 

When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

5:50 AM - 2 Mar 2018

There is plenty of uncertainty about how Trump 47's tariffs will impact the equity markets, but stocks persevered and went on to significantly higher levels in the ensuing years despite Trump 45 initiating a Trade War in March 2018.





## THE WALL STREET JOURNAL.

DOW JONES | *Market Gains* \*\*\*\*\*

THURSDAY, APRIL 10, 2025 - VOL. CCLXXXV NO. 83

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DIA 40,608.45 ▲ 2962.86 7.87% NASDAQ 17,124.97 ▲ 12.2% STOXX 600 4,699.89 ▲ 3.5% 10-YR. TREAS. 1 7/32, yield 4.410% OIL \$62.35 ▲ \$2.77 GOLD \$3,056.50 ▲ \$88.10 EURO \$1.0950 YEN 147.79

## What's News

## Business &amp; Finance

◆ **U.S. stocks soared** after Trump announced a 90-day pause on some tariffs and signaled a willingness to negotiate on trade. The S&P 500, Nasdaq and Dow rallied 9.5%, 12.2% and 7.9%, respectively. **A1**

◆ **The volatility in financial markets threatened** to derail Prada's talks to acquire Versace from fashion conglomerate Capri Holdings. **B1**

◆ **Fed officials highlighted** the risks of longer-lasting inflationary pressures from tariffs when they agreed to hold interest rates steady at their meeting last month. **A7**

◆ **Delta Air Lines abandoned** its full-year financial outlook, a move that could serve as a harbinger for reports from other carriers this month. **B1**

◆ **Formula One, which Liberty Media bought** in 2017, has been shopping a rights package at around \$150 million to \$180 million a year beginning with the 2026 season. **B1**

◆ **China's auto sales rose** sharply in March, assisted by government subsidies and relatively muted competition in pricing. **B2**

◆ **Volkswagen vehicle deliveries** rose in the first quarter after gains in North and South America as well as in Europe compensated for a steep decline in China. **B3**

◆ **Eleven's owner projected** a rise in annual profit as it continues efforts to stave off a takeover attempt by Couche-Tard, the Canadian owner of Circle K. **B3**

◆ **The European Commission** said it wanted to develop a network of AI gigafactories to help companies train the most complex models. **B4**

## World-Wide

◆ **Trump walked back** his steep levies on nearly 100 nations that had taken effect just hours earlier, a reversal that sent stocks soaring. **B1**

## Trump Backtracks, Pauses Many Tariffs

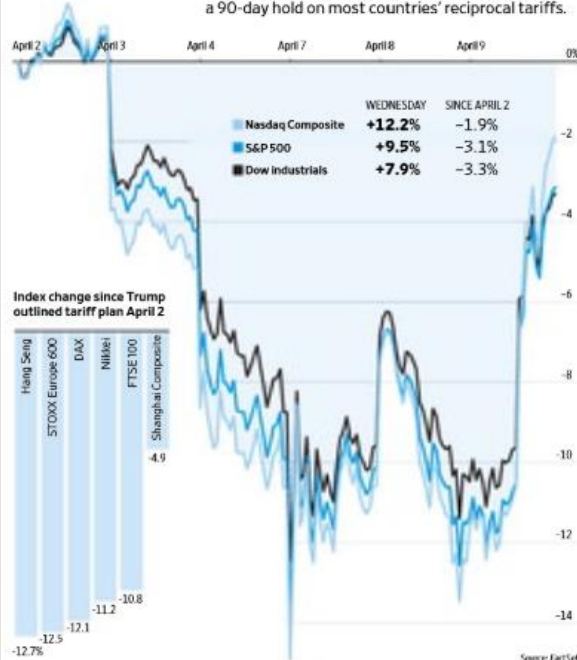
China levy boosted to 125% as duties on dozens of countries get a 90-day delay

By GAVIN BADE AND ANNIE LINSKEY

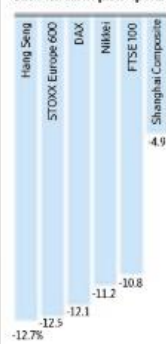
WASHINGTON—President Trump on Wednesday walked back his steep levies on nearly 100 nations that had taken effect just hours earlier, a shocking reversal that sent stocks soaring despite his announcing simultaneously that he would raise tariffs on China to 125%.

After a week of daily declines following 'Liberation Day,' stocks rallied in the U.S. Wednesday when President Trump announced that he was putting a 90-day hold on most countries' reciprocal tariffs.

## Index performance since April 2



Index change since Trump outlined tariff plan April 2



nese imports to 125%.

Trump said his 10% baseline tariff on virtually all imports would stay in effect. But he paused for 90 days the higher, so-called reciprocal rates he had announced a week earlier on nations the administration views as bad actors on trade—except for China. In an early afternoon social-media post, Trump wrote that he had raised the tariff imposed on China to 125%, “effective immediately.”

An administration official said that Canada and Mexico would remain exempt, for now, from the 10% baseline

global tariff. While the U.S.'s neighbors are still subject to plans to impose 25% tariffs on most imports to the U.S., an exemption is still in place for these levies on autos and many other goods compliant with the U.S.-Mexico-Canada free-trade agreement.

Stock-market indexes rose sharply to claw back some of their losses of the past four trading days. The Dow Jones Industrial Average gained nearly 3,000 points Wednesday, or 7.9%; it had fallen by more than 4,500 points in the four days since Trump announced the wide “reciprocal” tariffs.

The S&P 500 rose 9.5% on Wednesday, while the Nasdaq Composite gained 12%.

The president said that he decided to pause the bulk of his reciprocal tariff program because of growing concern about the economy. “They were getting yippy,” Trump said when asked why he enacted a temporary rollback. “They were getting a little bit bippy, a little bit afraid.”

The tariff pause now opens up a 90-day sprint for trading partners to offer Trump deals to reduce their tariffs.

“Nothing is over yet,”

Trump said, adding that somebody needed to take steps to rebalance global trade in the U.S.'s favor. He said countries have come forward to make deals with the U.S.—including China.

On Wednesday, Beijing said it would raise levies on U.S. imports to 84%, from 34%.

The reversal on tariffs shocked even some allies close to Trump, who for days

Please turn to page A4

◆ **Fed officials flag risk of longer inflation.** **A7**

◆ **Tariffs aren't the only obstacles to trade.** **A7**

◆ **Heard on the Street:** Fallout remains despite U-turn. **B11**

## Stocks Roar Back With S&amp;P 500 Climbing 9.5%

By ALEXANDER OSPOVICH

U.S. stocks staged a historic rally on Wednesday after President Trump paused steep tariffs on most countries for 90 days and signaled a willingness to negotiate on trade, with the market adding a record \$5.1 trillion in value.

The afternoon gains brought welcome relief from the turmoil triggered by Trump's own shocking announcement of sweeping tariffs a week ago. Still, in the same Truth Social post, he further escalated an economic conflict with China, the world's second-largest economy.

The stock market is still down from where it stood before the April 2 announcement. And the president's trade war, which has consumed Wall Street's attention for weeks, appeared far from over.

“I just don't believe this is an all-clear signal for markets,” said Christopher Smart, managing partner of Arbrough Group, a geopolitical risk consulting firm. “There will still be a bumpy road ahead with a lot of uncertainty around tariffs.”

◆ **Fed officials flag risk of longer inflation.** **A7**

◆ **Tariffs aren't the only obstacles to trade.** **A7**

◆ **Heard on the Street:** Fallout remains despite U-turn. **B11**

◆ **Heard on the Street:** Fallout remains despite U-turn. **B11**

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◆ **Heard on the Street:** Fallout remains despite U-turn. **B11**

**WHAT WE'VE LEARNED FROM THE TARIFF TURMOIL**

**#1: NOBODY EVER MADE A DIME PANICKING**

**MARKET CHECK**

Index	Value	Change
DOW INDUSTRIALS	40,608.45	+7.87% ▼
S&P 500	5,456.90	+9.52% ▼
NASDAQ COMPOSITE	17,124.97	+12.16% ▼

**MAD MONEY** WHAT HAVE WE LEARNED FROM THE TARIFF-INDUCED VOLATILITY THESE PAST DAYS? CRAMER'S EXPLAINING

**WHAT WE'VE LEARNED FROM THE TARIFF TURMOIL**

**#3: THE PRESIDENT LIKES DRAMA - YOU WON'T GET CERTAINTY**

**MARKET CHECK**

Index	Value	Change
DOW INDUSTRIALS	40,608.45	+7.87% ▼
S&P 500	5,456.90	+9.52% ▼
NASDAQ COMPOSITE	17,124.97	+12.16% ▼

**MAD MONEY** IT'S BEEN A WILD FEW DAYS FOR THE MARKETS - CRAMER'S HELPING YOU MAKE SENSE OF THE MOVES

**WHAT WE'VE LEARNED FROM THE TARIFF TURMOIL**

**#5: STAYING THE COURSE IN THE MARKETS IS ALWAYS THE WINNING STRATEGY**

**MARKET CHECK**

Index	Value	Change
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S&P 500	5,456.90	+9.52% ▼
NASDAQ COMPOSITE	17,124.97	+12.16% ▼

**MAD MONEY** NASDAQ SOARS +12% BEST DAY SINCE 2001, 2ND BEST DAY EVER



# Drama on the Global Stage



Certainly, it is tough to watch the news these days, as Israel had been trading fire with Iran, while the 20-month war with Hamas rages on. Unfortunately, war in this part of the world has occurred before and will likely happen again. That is not meant to diminish the current or past humanitarian crises, and we realize that the Israel-Iran Conflict dragged in the U.S. with military action before a tenuous ceasefire was brokered, but we continue to think that long-term-oriented investors should stick with stocks even with turmoil in the Middle East.

Arab-Israeli Conflicts		S&P 500	6 Months	12 Months	36 Months	60 Months	Event thru
	Date	Value	Later	Later	Later	Later	Present
War of Independence	11/29/1947	14.98	11%	-1%	29%	71%	41459%
Suez Crisis	10/29/1956	46.40	-1%	-12%	24%	47%	13317%
Six-Day War	6/5/1967	88.43	8%	13%	-14%	23%	6940%
Yom Kippur War	10/6/1973	109.85	-15%	-43%	-6%	-6%	5567%
Lebanon War	6/5/1982	110.09	26%	49%	73%	167%	5555%
First Intifada	12/8/1997	982.37	14%	20%	39%	-7%	534%
Second Intifada	9/28/2000	1,458.29	-21%	-29%	-32%	-17%	327%
Second Lebanon War	7/12/2006	1,258.60	14%	23%	-30%	4%	395%
2008 Gaza War	12/27/2008	872.80	5%	29%	45%	111%	613%
Israel Gaza Strip Operation	11/14/2012	1,355.49	22%	32%	49%	90%	359%
2014 Gaza War	7/8/2014	1,963.71	5%	4%	23%	52%	217%
11-Day War	5/6/2021	4,201.62	12%	-2%	23%		48%
Israel-Hamas War	10/7/2023	4,308.50	21%	32%			44%
Israel-Iran Conflict	6/12/2025	6,045.26					3%
Price Changes Only - Does Not Include Dividends		Averages:	8%	9%	19%	49%	5384%

*As of 07.08.2025. Source: Kovitz using Bloomberg, New York Times, Wikipedia and <https://www.britannica.com/event/Arab-Israeli-wars>*



"All the News That's Fit to Print"

# The New York Times

VOL. CLXXIV ... No. 60,459 © 2025 The New York Times Company SATURDAY, MARCH 15, 2025 Prices in Canada may be higher \$4.00



**The Blood Moon Rises**  
The total lunar eclipse as seen over Chicago on Friday. Sunlight spilling over the edge of the Earth resulted in redder wavelengths.

# THE WALL STREET JOURNAL.

DOW JONES

▲▲▲▲▲

FRIDAY, MARCH 14, 2025 - VOL. CCLXXXV NO. 60

WSJ.com

★★★★ \$5.00

DJA 40215.57 ▲ 527.36 1.30%

NASDAQ 17303.01 ▲ 7.0%

STOX600 540.44 ▲ 0.1%

10-YR. TREAS. (Rising) yield 4.277%

OIL \$66.55 ▲ \$13

GOLD \$2,984.30 ▲ \$45.20

EURO \$1.0855

YEN 147.82

## What's News

Business & Finance

- ◆ Donatella Versace shed her role as creative director of Italian fashion brand Versace and will become the label's chief brand ambassador, parent company Capri said. **B1**
- ◆ Star Kering designer Demna will leave Balenciaga to become Gucci's next artistic director at a time of unprecedented transitions at luxury brands. **B3**
- ◆ Major U.S. stock indexes slid, with the S&P 500 falling 1.4% into a correction and the Nasdaq and Dow retracing 2% and 1.3%, respectively. **B1**
- ◆ Economists estimate that the Fed's preferred gauge of prices below higher in February, extending a stretch of rising costs for consumers. **A2**
- ◆ Compass is in advanced talks to acquire Warren Buffett's real-estate brokerage business, the latest sign of consolidation in the industry. **B1**
- ◆ An arbitrator temporarily forbade former Meta employee Sarah Wynn-Williams, who is bound by a nondisparagement agreement, from promoting her new tell-all book. **B1**
- ◆ U.S. convenience-store sales volume fell by 4.3% as prices rose in the year ended Feb. 23, market-research firm Circana said, with snacks and cigarettes among the casualties. **B1**
- ◆ Canada's Couche-Tard will continue its pursuit of 7-Eleven owner Seven & L, executives said while lamenting the slow progress of acquisition talks. **B2**
- ◆ Drug companies Mallinckrodt and Endo agreed to merge and spin off the latter's sterile injectables business from the combined entity at a later date. **B3**

President Putin on Thursday listed a range of issues that he said needed to be resolved before fighting with Ukraine could end.

## Putin Rejects Immediate Pause In Ukraine Fighting Amid Gains

By MATTHEW LEIMMOORE AND NATALIE ANDREWS

President Vladimir Putin of Russia said he didn't support an immediate cease-fire in Ukraine, calling instead for more discussion on a permanent end to the war, as Moscow's army made rapid gains toward driving Ukraine's forces out of Russia's Kursk region.

Putin said any pause in fighting now would be in Ukraine's interest because Russia is gaining on the battlefield, and a host of issues would need to be resolved before a cease-fire could be reached.

"The idea itself is good, and we of course support it, but there are questions we have to discuss," Putin said, referring to a proposed 30-day cease-fire in the war, adding that Russia sought a lasting peace that would need to eliminate the "root causes" of the conflict.

The comments were the first official response from Moscow after Ukraine agreed this week to a U.S.-backed proposal for a pause in the war, now in its fourth year. Putin spoke as President Trump's special envoy, Steve Witkoff, was due in Moscow to discuss the proposal, according to two U.S. officials.

Trump said Thursday he planned to speak with Putin soon and he was pressing for a speedy end to the conflict. Of Putin's comments, he said, "He put out a very promising statement, but it wasn't complete."

"I'd love to meet with him and talk to him, but we have to get it over with fast," Trump said, sitting next to NATO Secretary-General Mark Rutte. Asked about the continuing talks with Russia, Trump said they were "very serious" and added, "Hopefully they'll do the right thing."

The cease-fire offer, negotiated by the U.S. and Ukraine in Saudi Arabia, put pressure on the Russian leader to signal a willingness to work toward peace. On Thursday, Putin thanked Trump for bringing attention to a cease-fire in Ukraine, but he also raised a litany of issues that he said needed to be resolved.

Please turn to page A7.

**THE WEATHER**  
Today, morning clouds, drizzle, a little afternoon sun, high 55. Tonight, cloudy, mild, low 52. Tomorrow, cloudy, windy, rain expected, high 63. Weather map is on Page B6.

**SENATORS DECIDE NOT TO SHUTTER U.S. GOVERNMENT**  
PASS STOPGAP FUNDING

**Schumer's Sudden Shift to Back Bill Angers Many Democrats**

By ANTON TROIANOVSKI and MARIA VARENKINA  
BERLIN — President Vladimir V. Putin of Russia on Friday insisted that Ukraine order some of its forces to surrender to Russia, a striking demand made hours after President Trump said the United States had "very good and productive" discussions with Mr. Putin about a potential cease-fire.

Mr. Putin's televised comments came shortly after Mr. Trump, on social media, said he had urged the Russian leader to spare the lives of Ukrainian soldiers struggling to hold on to a patch of land in the Kursk region of Russia.

"I have strongly requested to President Putin that their lives be spared," Mr. Trump wrote.

Both presidents claimed on Friday that Ukrainian forces were surrounded in Kursk, the area where Kyiv's troops stunned Russia with a cross-border incursion last summer. Independent analysts have challenged those claims, and Ukraine's military on

The crisis in the Ukraine continues to drag on and the world remains on edge. No doubt, nobody knows how these tense events will play out, but the equity markets, in the fullness of time, have overcome every other disconcerting entry on the timeline of U.S.-Russia relations.

Major Events in Russia - U.S. History		S&P 500	6 Months Before	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
	Date	Value						
Korean War Begins	6/25/1950	19.14	15%	5%	11%	26%	114%	32426%
Death of Stalin	3/5/1953	25.79	2%	-9%	3%	79%	61%	24039%
Creation of the Warsaw Pact	5/14/1955	37.44	12%	24%	25%	15%	48%	16528%
Sputnik & The Space Race	10/4/1957	42.79	-4%	-3%	18%	24%	33%	14449%
The U-2 Incident	5/1/1960	54.37	-5%	-1%	20%	29%	64%	11350%
Cuban Missile Crisis	10/16/1962	57.08	-16%	21%	28%	60%	67%	10807%
Soviet Invasion of Czechoslovakia	8/20/1968	98.96	9%	1%	-4%	-1%	3%	6191%
Soviet Invasion of Afghanistan	12/24/1979	107.66	5%	7%	26%	30%	55%	5683%
U.S. Moscow Olympics Boycott	3/21/1980	102.31	-7%	26%	31%	48%	75%	5985%
Downing of Korean Air Flight 007	9/1/1983	164.23	9%	-4%	1%	54%	57%	3691%
Soviet Los Angeles Olympics Boycott	7/28/1984	151.19	-8%	17%	27%	107%	126%	4018%
Chernobyl Disaster	4/26/1986	242.29	29%	-2%	16%	27%	56%	2469%
Fall of Communism in Eastern Europe	8/19/1989	346.03	17%	-4%	-5%	21%	34%	1699%
German Reunification	10/3/1990	311.40	-9%	22%	23%	48%	87%	1899%
Dissolution of the Soviet Union	12/26/1991	404.84	9%	0%	9%	14%	87%	1438%
Black Brant: Mistaken Nuclear War Scare	1/25/1995	467.44	3%	20%	32%	105%	202%	1232%
Russo-Georgian War	8/7/2008	1,266.07	-5%	-31%	-20%	-5%	34%	392%
Putin Reelected	3/4/2012	1,369.63	17%	3%	11%	53%	74%	355%
Annexation of Crimea	3/21/2014	1,866.52	9%	8%	13%	26%	53%	234%
Skripal Poisoning & Diplomatic Expulsion	3/1/2018	2,473.92	0%	17%	13%	58%	60%	152%
Escalation of Russo-Ukrainian War	2/24/2022	4,288.70	-4%	-3%	-7%	40%		45%
Price Changes Only - Does Not Include Dividends		Averages:	4%	5%	13%	41%	69%	6909%
As of 07.08.2025. Source: Kovitz using Bloomberg, usruissiarelations.org, state.gov and Wikipedia								



# THE PRUDENT SPECULATOR



There is usually something about which to worry, yet equities have proved very rewarding through the years for those who remember that the secret to success in stocks is not to get scared out of them.



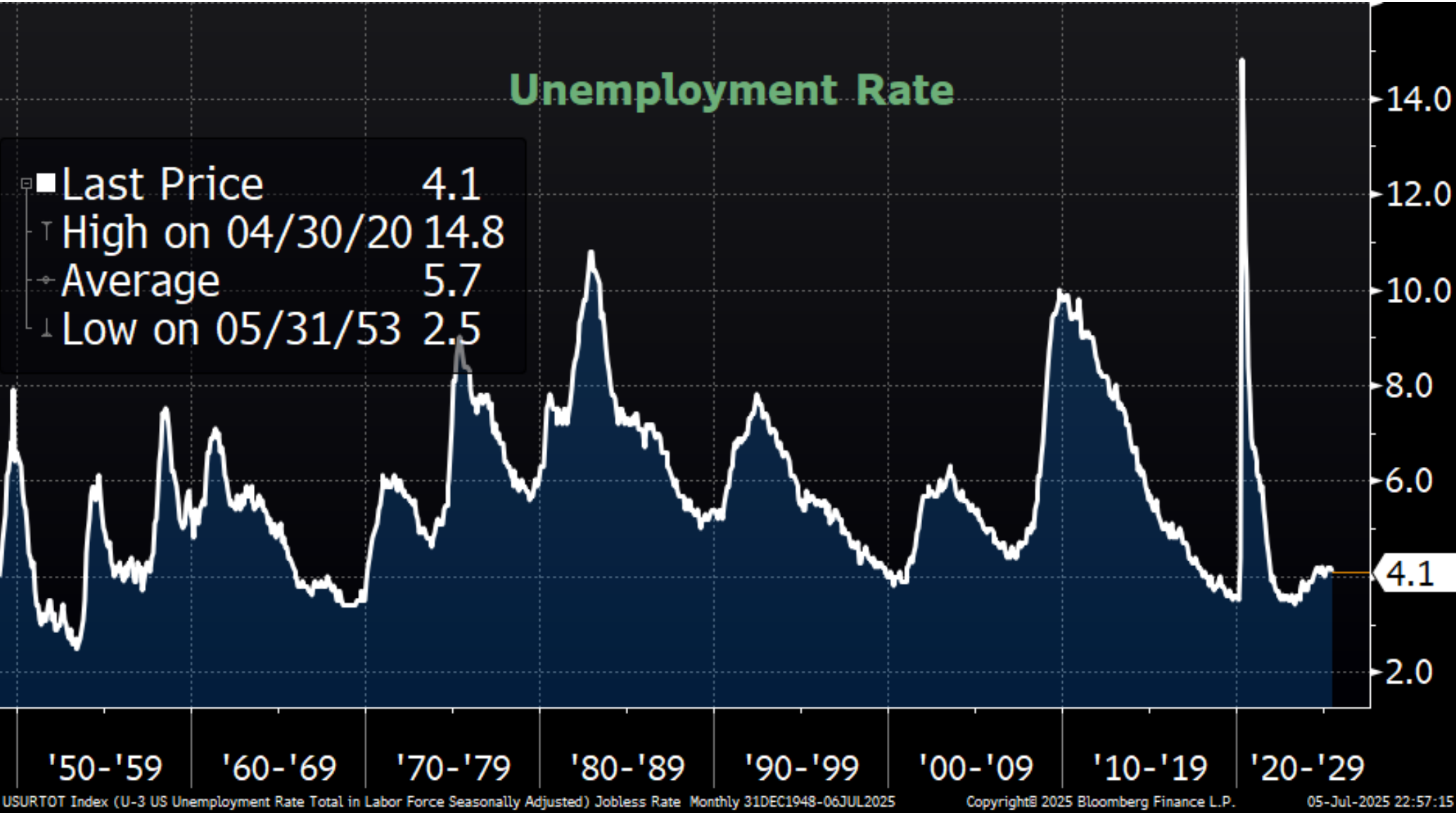
Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	71623%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	41403%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	37201%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	14510%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	13558%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	15871%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	11539%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	8843%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	6573%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	8152%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	6655%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	8795%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	5817%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	6238%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	5111%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	3745%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	2444%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2669%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1869%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1554%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1412%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1304%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	1262%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	1132%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	610%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	549%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	406%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	364%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	545%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	579%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	470%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	420%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	820%
Price Changes Only - Does Not Include Dividends			Averages:		-7%	18%	39%	66%	8607%

As of 07.08.2025. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates



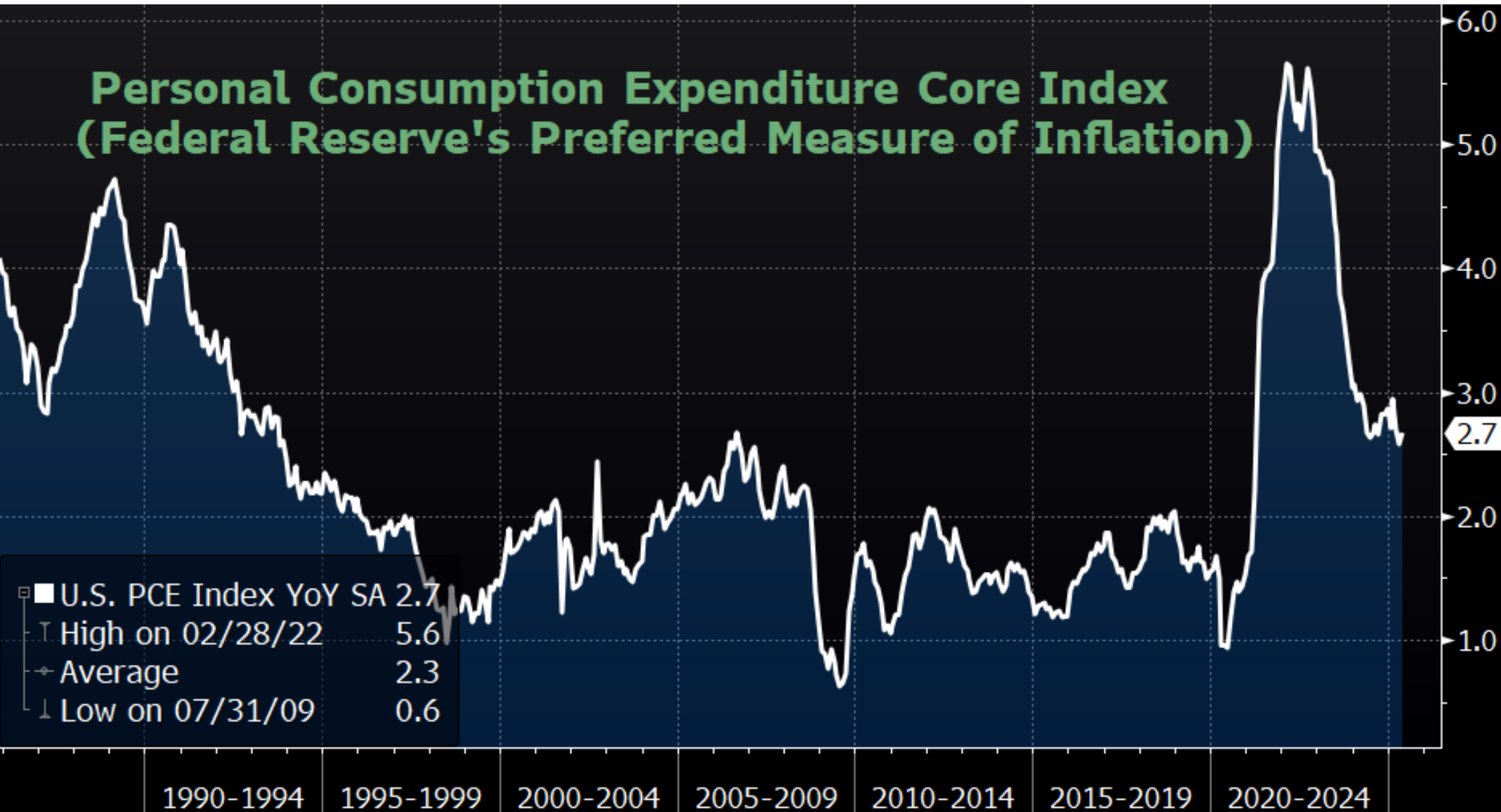


# The Fed on Hold





# Personal Consumption Expenditure Core Index (Federal Reserve's Preferred Measure of Inflation)



**Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2025**

Percent

Variable	Median <sup>1</sup>				Central Tendency <sup>2</sup>				Range <sup>3</sup>			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.4	1.6	1.8	1.8	1.2–1.5	1.5–1.8	1.7–2.0	1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5	1.5–2.5
March projection	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
Unemployment rate	4.5	4.5	4.4	4.2	4.4–4.5	4.3–4.6	4.2–4.6	4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7	3.5–4.5
March projection	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
PCE inflation	3.0	2.4	2.1	2.0	2.8–3.2	2.3–2.6	2.0–2.2	2.0	2.5–3.3	2.1–3.1	2.0–2.8	2.0
March projection	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
Core PCE inflation <sup>4</sup>	3.1	2.4	2.1		2.9–3.4	2.3–2.7	2.0–2.2		2.5–3.5	2.1–3.2	2.0–2.9	
March projection	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.6	3.4	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9	2.5–3.9
March projection	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The March projections were made in conjunction with the meeting of the Federal Open Market Committee on March 18–19, 2025.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

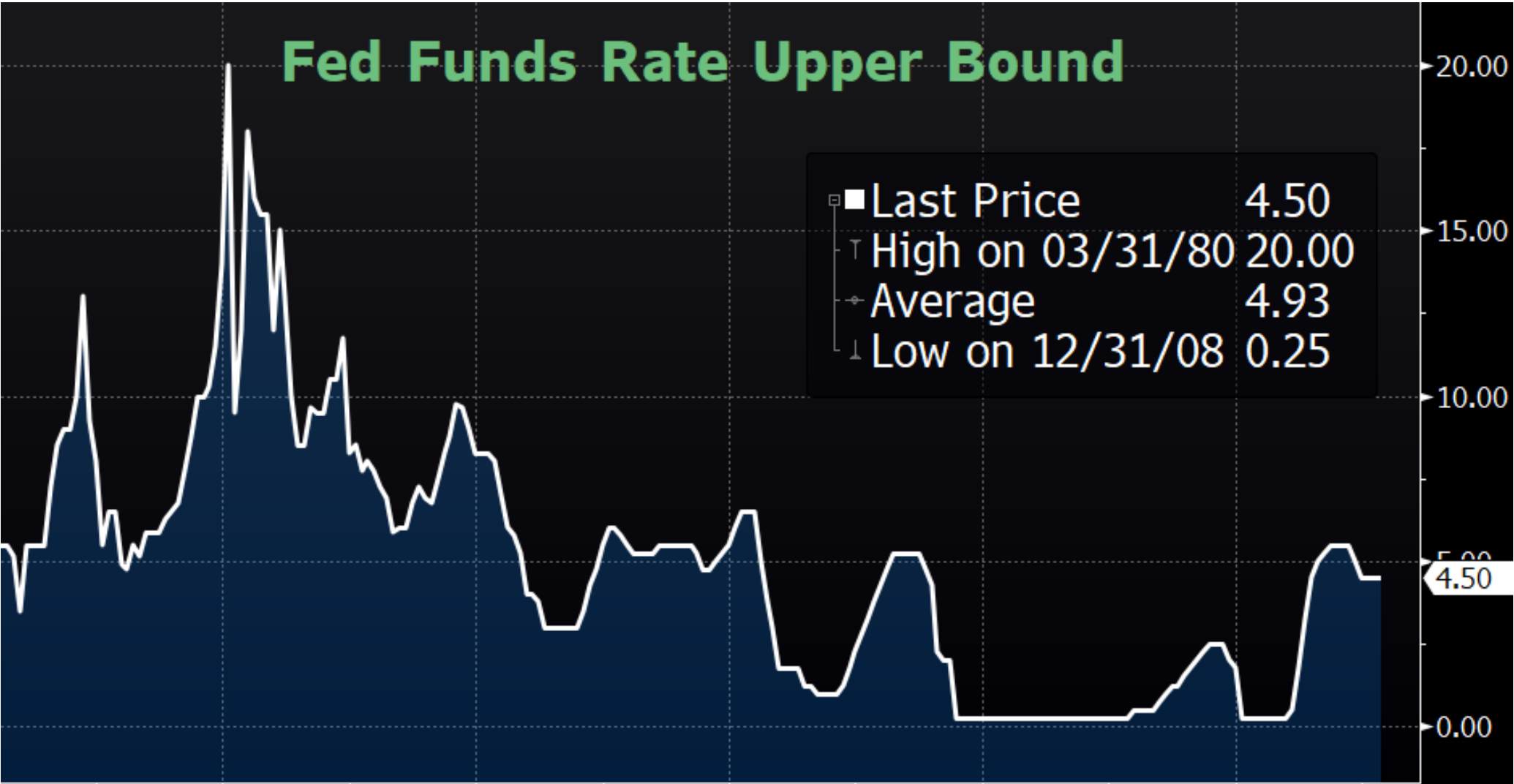
Source: Federal Reserve. Summary of Economic Projections, June 18, 2025





# Fed Funds Rate Upper Bound

■ Last Price	4.50
┤ High on 03/31/80	20.00
◆ Average	4.93
├ Low on 12/31/08	0.25



'75-'79 | '80-'84 | '85-'89 | '90-'94 | '95-'99 | '00-'04 | '05-'09 | '10-'14 | '15-'19 | '20-'24



Set Default

Export

World Interest Rate Probability

Hide Models

Model Meeting %Hike/Cut

North America

US - Fut 07/30/2025 -4.7%

US - OIS 07/30/2025 -5.3%

CA - OIS 07/30/2025 -27.7%

Europe

EZ - OIS 07/24/2025 -5.2%

GB - OIS 08/07/2025 -86.6%

SE - OIS 08/20/2025 -32.4%

CH - OIS 09/25/2025 -24.7%

NO - OIS 08/14/2025 -28.9%

APAC

AU - Fut 07/08/2025 -91.1%

AU - OIS 07/08/2025 -95.8%

NZ - OIS 07/09/2025 -12.9%

JP - OIS 07/31/2025 +0.9%

IN - OIS 08/06/2025 +13.6%

LATAM

CL - OIS 07/29/2025 -88.8%

Region: United States »

Instrument: Fed Funds Futures »

Target Rate 4.50

Pricing Date 07/04/2025

Effective Rate 4.33

Cur. Imp. O/N Rate 4.329

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M. ▲
07/30/2025	-0.047	-4.7%	-0.012	4.317	0.250
09/17/2025	-0.732	-68.5%	-0.183	4.146	0.250
10/29/2025	-1.367	-63.5%	-0.342	3.987	0.250
12/10/2025	-2.166	-79.9%	-0.541	3.788	0.250
01/28/2026	-2.537	-37.1%	-0.634	3.695	0.250
03/18/2026	-4.477	-194.0%	-1.119	3.210	0.250
04/29/2026	-3.437	+104.0%	-0.859	3.470	0.250
06/17/2026	-4.370	-93.3%	-1.092	3.237	0.250
07/29/2026	-4.306	+6.3%	-1.077	3.252	0.250
09/16/2026	-4.683	-37.7%	-1.171	3.158	0.250

Implied Overnight Rate & Number of Hikes/Cuts

Maximize

Implied Overnight Rate (%)

Number of Hikes/Cuts Priced In

Current 09/17/2025 12/10/2025 03/18/2026 06/17/2026 09/16/2026 12/09/2026

Australia 61 2 9777 8600

Brazil 5511 2395 9000

Europe 44 20 7330 7500

Germany 49 69 9204 1210

Hong Kong 852 2977 6000

Japan 81 3 4565 8900

Singapore 65 6212 1000

U.S. 1 212 318 2000

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## Concurrent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.28%	422	13.4%	10.5%	10.8%	10.6%
More than 4.28%	422	14.9%	10.0%	12.5%	9.7%
3-Month Drop	394	18.0%	12.6%	14.5%	11.3%
3-Month Rise	446	11.0%	8.2%	9.2%	9.1%
6-Month Drop	371	16.6%	13.0%	14.4%	11.2%
6-Month Rise	463	12.1%	8.0%	9.4%	8.9%
12-Month Drop	371	14.6%	11.9%	13.0%	9.9%
12-Month Rise	451	13.3%	8.5%	10.2%	9.5%

From 07.31.1954 through 12.31.2024. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

## Subsequent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.28%	423	12.2%	10.2%	10.6%	10.0%
More than 4.28%	423	15.7%	9.9%	12.3%	9.4%
3-Month Drop	385	13.8%	10.4%	11.2%	10.3%
3-Month Rise	446	13.7%	9.5%	11.5%	9.0%
6-Month Drop	366	15.4%	11.7%	12.2%	12.0%
6-Month Rise	462	12.4%	8.4%	10.6%	7.6%
12-Month Drop	371	16.9%	11.8%	12.3%	11.9%
12-Month Rise	451	11.1%	8.3%	10.3%	7.6%

From 07.31.1954 through 12.31.2024. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many thought the Federal Reserve hiking the Fed Funds rate would be a big headwind for equities, but such was again not the case. Anything could have happened, of course, but seven decades of annualized data showed that equities performed admirably, **ON AVERAGE**, both concurrent with and subsequent to increases in the Fed Funds rate over 3-, 6-, and 12-month time spans. More importantly today, given that the Fed has been cutting rates, stocks have performed even better, historically speaking, in a falling rate environment.



# *Mid-Year 2025 Update*

## A Look Ahead - The Value of Dividends



**“Whether we’re talking about socks or stocks, I like to buy quality merchandise when it is marked down.”**

**—Warren Buffett**

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

## Russell 3000 Value Index

### Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	76.1%	856	8	2.9	9/30/2022	11/29/2024
17.5%	52.3%	519	14	1.9	4/8/2025	7/3/2025
15.0%	47.5%	446	16	1.7	4/8/2025	7/3/2025
12.5%	45.5%	423	17	1.6	4/8/2025	7/3/2025
10.0%	29.6%	237	31	0.9	4/8/2025	7/3/2025
7.5%	21.6%	148	52	0.6	4/8/2025	7/3/2025
5.0%	13.6%	73	107	0.3	4/8/2025	7/3/2025

### Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-30.6%	218	8	2.9	1/12/2022	9/30/2022
-17.5%	-25.4%	191	14	1.9	11/29/2024	4/8/2025
-15.0%	-23.8%	168	17	1.6	11/29/2024	4/8/2025
-12.5%	-23.6%	161	17	1.6	11/29/2024	4/8/2025
-10.0%	-18.0%	84	31	0.9	11/29/2024	4/8/2025
-7.5%	-14.2%	56	52	0.6	11/29/2024	4/8/2025
-5.0%	-10.1%	30	106	0.3	2/19/2025	4/8/2025

From 10.19.95 through 07.03.25. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as an instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg.

## LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.8%	17.9%
Growth Stocks	11.0%	18.8%
Dividend Paying Stocks	12.4%	14.6%
Non-Dividend Paying Stocks	12.1%	22.0%
Large-Company Stocks	11.8%	15.1%
Small-Company Stocks	12.7%	20.4%
Long-Term Corporate Bonds	7.4%	10.3%
Long-Term Gov't Bonds	7.0%	11.5%
Intermediate Gov't Bonds	6.2%	5.3%
Treasury Bills	4.2%	1.0%
Inflation	3.6%	1.3%

From 03.31.1977 through 05.31.2025. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. Non-dividend payers = stocks that do not pay a dividend. Small company stocks, via Ibbotson Associates, are the bottom twenty percent of the New York Stock Exchange. Large company stocks, via Ibbotson Associates, are represented by the S&P 500 index. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBILL Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

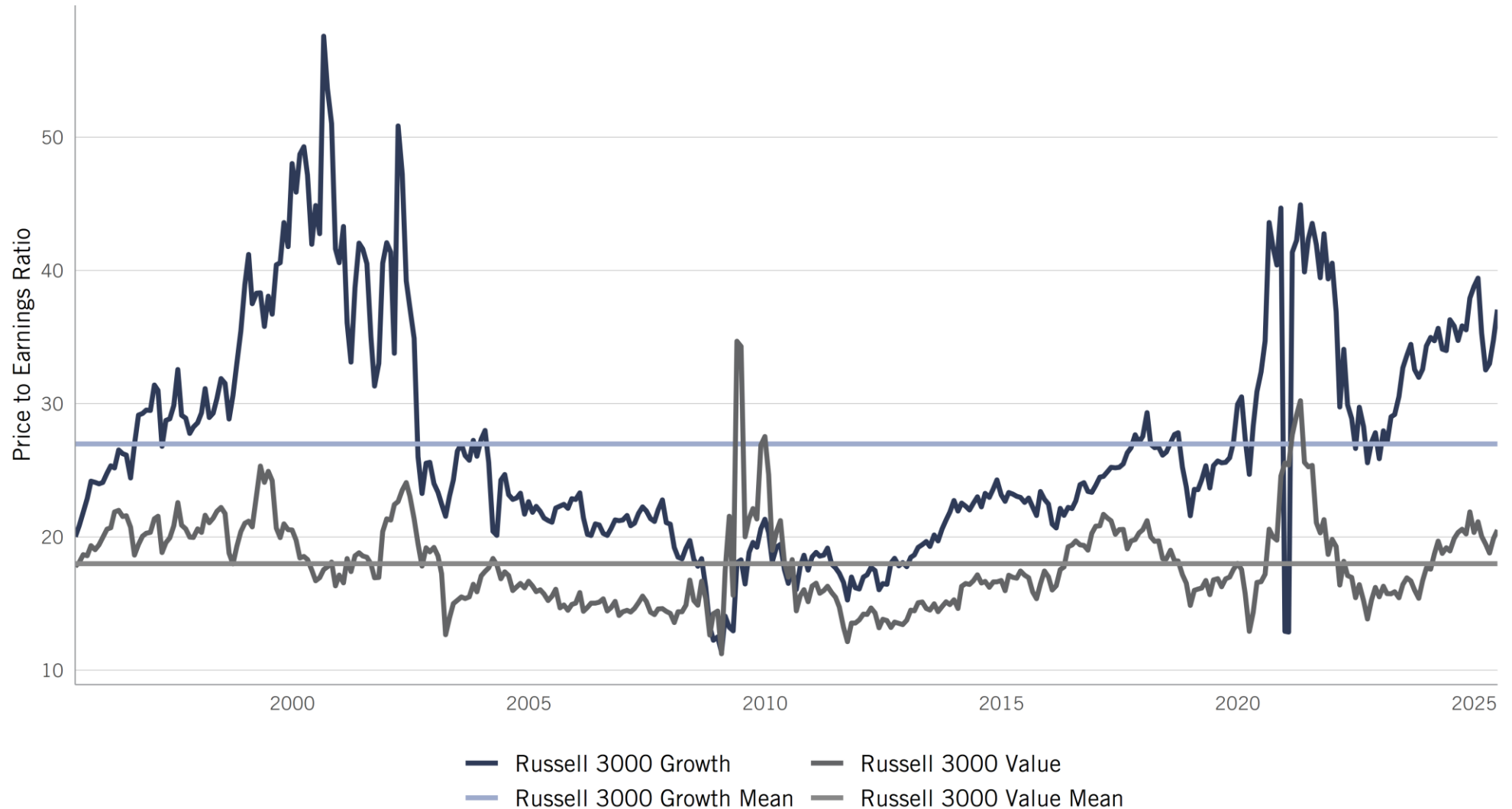


## Handsome Absolute & Relative Returns for Value

Name	Index	6-Month	1-Year	3 Year	5 Year	7 Year	10-Year	20-Year
	Value Stocks	Annualized	Annualized	Annualized	Annualized	Annualized	Annualized	Annualized
Russell 3000 Value Index	Russell 3000 Value	5.5%	13.3%	12.4%	13.8%	9.2%	9.0%	8.0%
Russell 2000 Value Index	Russell 2000 Value	-3.2%	5.5%	7.4%	12.4%	4.8%	6.7%	6.8%
Russell 1000 Value Index	Russell 1000 Value	6.0%	13.7%	12.7%	13.9%	9.6%	9.2%	8.1%
S&P 500 Value Index	S&P 500 Value	3.3%	9.6%	14.9%	15.0%	11.1%	10.4%	8.5%
S&P 500 Pure Value Index	S&P 500 Pure Value	5.5%	15.6%	10.7%	17.4%	8.1%	8.5%	9.0%
MSCI USA Value Net Total Return USD Index	MSCI USA Value	6.1%	12.4%	11.6%	12.9%	8.8%	8.7%	7.3%
MSCI World Value Index	MSCI World Value	10.9%	16.8%	14.4%	14.3%	9.1%	8.5%	7.3%
Global Equities								
MSCI ACWI Excluding United States Index	MSCI ACWI excluding United States	18.3%	18.4%	14.6%	10.7%	7.1%	6.7%	6.4%
MSCI EAFE Index	MSCI EAFE (Europe, Australasia, Far East)	19.9%	18.4%	16.7%	11.8%	7.8%	7.1%	6.4%
MSCI Europe Index	MSCI Europe	24.0%	19.4%	17.9%	13.1%	8.6%	7.4%	6.5%
MSCI Emerging Markets Index	MSCI Emerging Markets	15.5%	15.9%	10.1%	7.2%	4.9%	5.2%	6.8%
CAC 40	CAC 40 Index - France	21.4%	16.1%	16.8%	13.6%	8.6%	8.6%	6.3%
Deutsche Boerse AG German Stock Index DAX	Deutsche Boerse - Germany	35.9%	43.9%	28.0%	15.2%	10.1%	8.7%	8.4%
FTSE 100 Index	FTSE 100 Index - United Kingdom	19.9%	20.6%	15.4%	13.5%	6.4%	5.5%	5.2%
S&P/ASX 200	S&P/ASX 200 - Australia	13.7%	13.3%	13.1%	12.2%	8.3%	8.5%	8.6%
Hang Seng Index	Hang Seng - Hong Kong	21.6%	41.4%	7.5%	3.1%	0.9%	2.6%	6.2%
Ibovespa Brasil Sao Paulo Stock Exchange Index	Ibovespa - Brazil	31.2%	14.8%	10.4%	8.0%	4.4%	4.1%	4.5%
Shanghai Stock Exchange Composite Index	Shanghai - China	6.0%	21.5%	1.1%	5.3%	4.2%	-1.2%	9.1%
BSE SENSEX TR	Sensex - India	7.6%	4.1%	14.7%	17.6%	10.8%	9.7%	10.8%
Nikkei 225	Nikkei 225 - Japan	11.8%	16.3%	15.3%	8.4%	7.0%	7.5%	7.0%
Korea Stock Exchange KOSPI Index	KOSPI - Korea	41.1%	14.1%	10.1%	7.5%	3.4%	4.1%	6.2%
Other Assets								
S&P GSCI Index Spot	S&P GSCI Commodities	-1.2%	-6.1%	-8.5%	10.8%	1.6%	2.1%	1.8%
Philadelphia Stock Exchange Gold and Silver Index	Gold & Silver Index	51.1%	51.9%	25.0%	11.6%	15.8%	13.9%	5.3%
Bloomberg US Agg Total Return Value Unhedged USD	Bloomberg Barclays U.S. Agg Bond	4.0%	6.1%	2.5%	-0.7%	1.8%	1.8%	3.1%
Bloomberg Global-Aggregate Total Return Index Value Unhedged USD	Bloomberg Barclays Global Agg Bond	7.3%	8.9%	2.7%	-1.2%	0.6%	1.2%	2.3%
ICE U.S. Treasury 7 - 10 Year TR Index	ICE U.S. Treasury 7 - 10 Year	5.3%	6.3%	1.0%	-2.4%	1.3%	1.3%	3.2%
ICE U.S. Treasury 3 - 7 Year TR Index	ICE U.S. Treasury 3 - 7 Year	4.7%	6.8%	2.7%	-0.3%	1.9%	1.6%	2.9%
ICE U.S Treasury 1 - 3 Year TR Index	ICE U.S Treasury 1 - 3 Year	2.8%	5.7%	3.4%	1.3%	2.1%	1.6%	2.1%

As of 06.30.2025. Source: Bloomberg. In U.S. Dollars

# Valuation Comparison: Price to Earnings



From 05.31.1995 through 06.30.2025. SOURCE: Kovitz using data from Bloomberg Finance L.P.

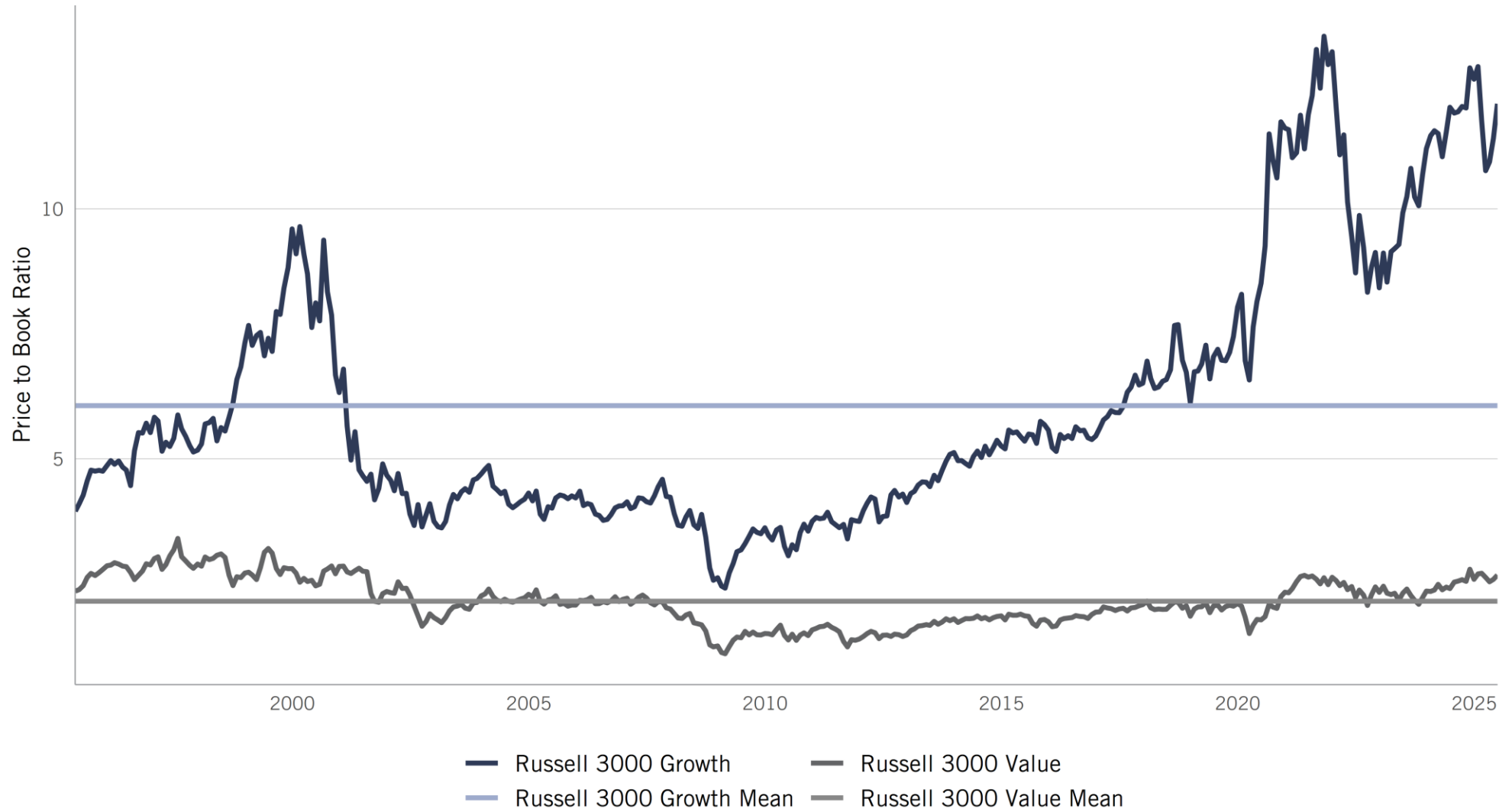
# Valuation Comparison: Price to Sales



From 05.31.1995 through 06.30.2025. SOURCE: Kovitz using data from Bloomberg Finance L.P.



# Valuation Comparison: Price to Book Value



From 05.31.1995 through 06.30.2025. SOURCE: Kovitz using data from Bloomberg Finance L.P.



We continue to sleep very well at night, given the inexpensive valuations and generous dividend yields for our broadly diversified portfolios of what we believe are undervalued stocks. We also note that our price and yield metrics are far more attractive than those of the broad-based market indexes, and they even compare very favorably to most of the Value benchmarks.

## CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	17.1	14.5	1.0	2.5	2.4
ValuePlus	18.1	14.9	1.3	2.6	2.0
Dividend Income	17.8	14.9	0.9	2.2	2.7
Focused Dividend Income	16.8	14.4	1.1	2.5	2.8
Focused ValuePlus	17.7	15.3	1.1	2.6	2.3
Small-Mid Dividend Value	14.5	11.7	0.7	1.6	2.7
Russell 3000	27.2	24.1	2.8	4.7	1.2
Russell 3000 Growth	37.5	33.2	5.4	12.2	0.5
Russell 3000 Value	20.5	18.6	1.7	2.7	2.0
Russell 1000	26.7	23.8	3.0	5.0	1.2
Russell 1000 Growth	36.5	32.5	6.0	13.5	0.5
Russell 1000 Value	20.0	18.4	1.8	2.8	2.0
S&P 500 Index	26.6	23.7	3.1	5.3	1.2
S&P 500 Growth Index	34.2	29.5	6.0	10.1	0.6
S&P 500 Value Index	21.3	19.6	2.0	3.4	2.2
S&P 500 Pure Value Index	12.5	12.0	0.4	1.4	2.7

As of 07.16.2025. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

**“Do you know the only thing that gives me pleasure? It's to see my dividends coming in.”**

**—John D. Rockefeller**



Data from the past 50 years compiled by Ned Davis Research shows that the annualized return of dividend payers in the S&P 500 was 9.2%, compared with only 4.3% for nonpayers, and with less choppiness too. Dividend payers would have left you with 10 times as much wealth before taxes over that time as nonpayers. They also easily beat an equal-weighted basket of all companies in the index.

– Wall Street Journal, July 1, 2025

012 | Tuesday, July 1, 2025

THE WALL STREET JOURNAL

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

Investors Are Right to Love Dividends

The payouts often aren't about income and that's all right

It turns out that caring about dividends can really pay dividends. Finance professors have long talked about investors' love for cash payouts. But a recent report shows what people actually do with them and why they prefer receiving cash because it works.

One of the original studies on dividends in the early 1960s said people shouldn't care about the payouts. Maximizing wealth is the point, and dividends are just part of investors' total return. Any cash a company pays out reduces its value by an equal amount, after all.

Then the rise of behavioral finance acknowledged people aren't robots and tried figuring out why receiving checks four times a year is so alluring.

The partial answer was that we put things such as interest and dividends in the same mental bucket as wages—income we feel comfortable spending. We view capital differently and are loath to touch it, even though it is possible to sell appreciated stock and create your own dividend.

It was still a head scratcher, though. A 1970s paper called "The Dividend Puzzle" recognized that people prefer them but said the pieces "just don't fit together."

A recent study of data of thousands of Vanguard customers by finance professor Mico Stettman and Vanguard managers Paulo Costa and Sharon Hill seems puzzling, too—at first. It compares people who own dividend-income funds to plain-vanilla equity funds.

Instead of buying the dividend funds for actual income, though, investors were about as likely to just reinvest the money. Both groups mostly did, especially if they weren't retired yet.

That is a little bit like wanting to drive really fast but buying a Toyota Corolla—possible, but not really what it was designed for. Stettman and his team dug deeper. When asked their reasons, many investors said they didn't need the money now but thought stocks that pay dividends had higher returns and were less volatile.

And they are right. Data from the past 50 years compiled by Ned Davis Research shows that the annualized return of dividend payers in the S&P 500 was 9.2%, compared with only 4.3% for nonpayers, and with less choppiness, too.

Dividend payers would have left you with 10 times as much wealth before taxes over that time as nonpayers. They also easily beat an equal-weighted basket of all companies in the index.

It is like buying that Corolla instead of a sports car because you know it is reliable and will take you farther.

But don't confuse cause and effect: One of the best stocks of all time has never paid a dividend. Well, almost never.

Warren Buffett's Berkshire Hathaway once paid 10 cents in 1967. Buffett quipped that he "must have been in the bathroom" when the decision was taken.

Owning Berkshire has been spectacular and probably would have been less so if it had made regular cash payments, even if you reinvested them after taxes.

The secret seems to be that companies paying chunky dividends also tend to have value and quality characteristics. There are two factors associated with long-term investment success and also describe Berkshire's portfolio.

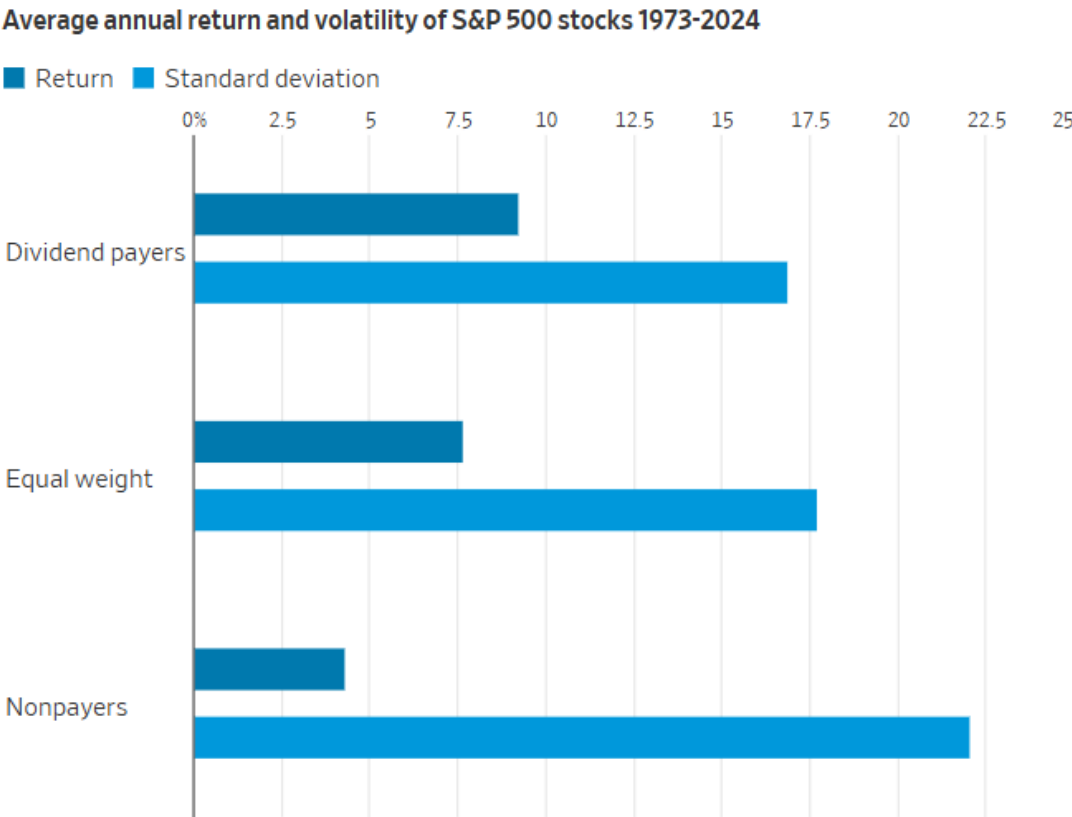
"Value" is present because dividend payers have profits from which to pay them. And those payouts are meaningful enough as a percentage of their price to land them in an income fund.

And "quality" is often there because dividend payers are forced to be more judicious about any cash they don't share. One detail "income" funds miss, unfortunately, is that the same applies to companies that return cash to shareholders in other ways such as stock buybacks or paying down debt.

The original research on dividends was kind of right—there is nothing special about them. But the companies that pay them often are special.

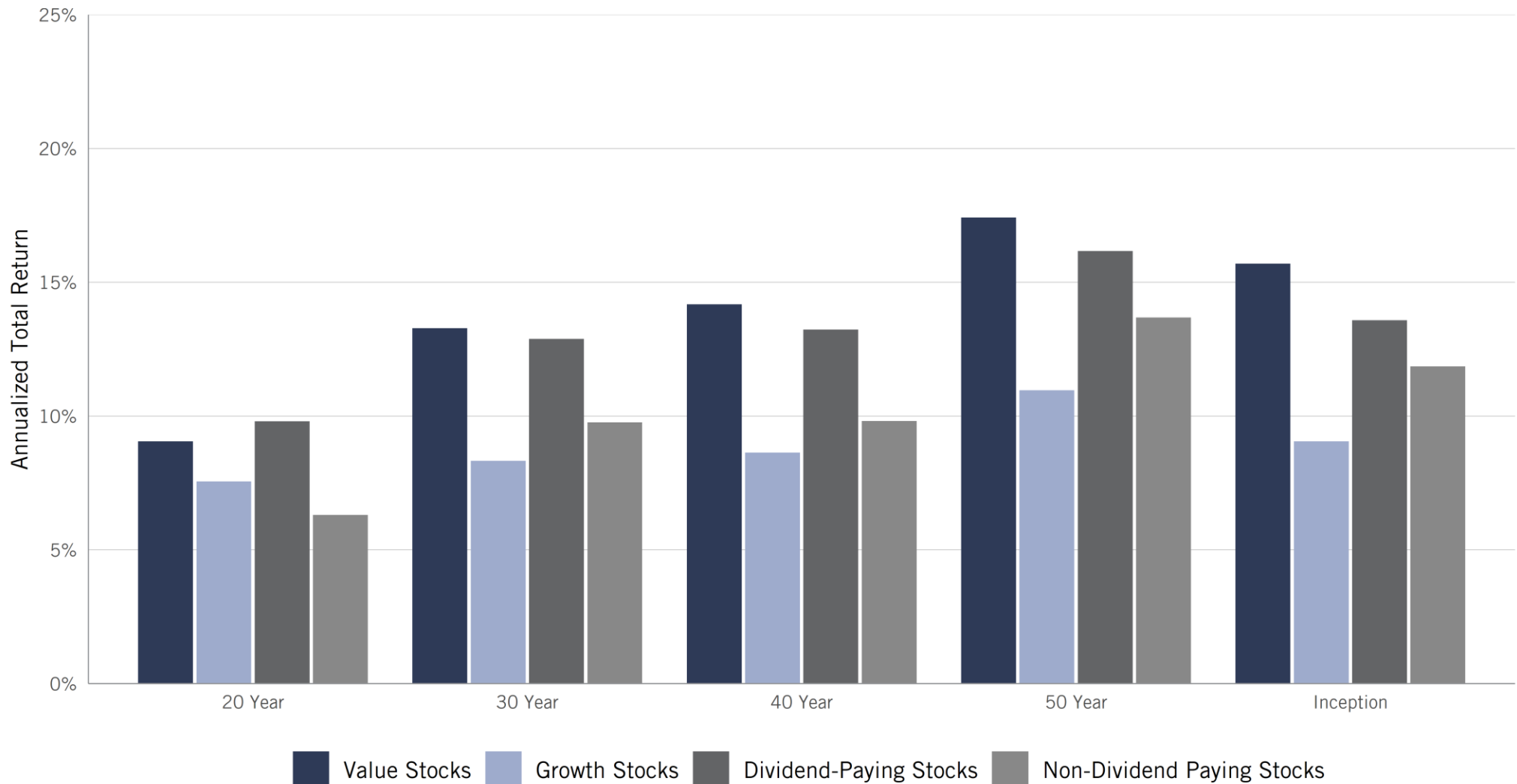
—Spencer Jakub

Berkshire Hathaway's May shareholders meeting. One of the best stocks ever, it has almost never paid a dividend.



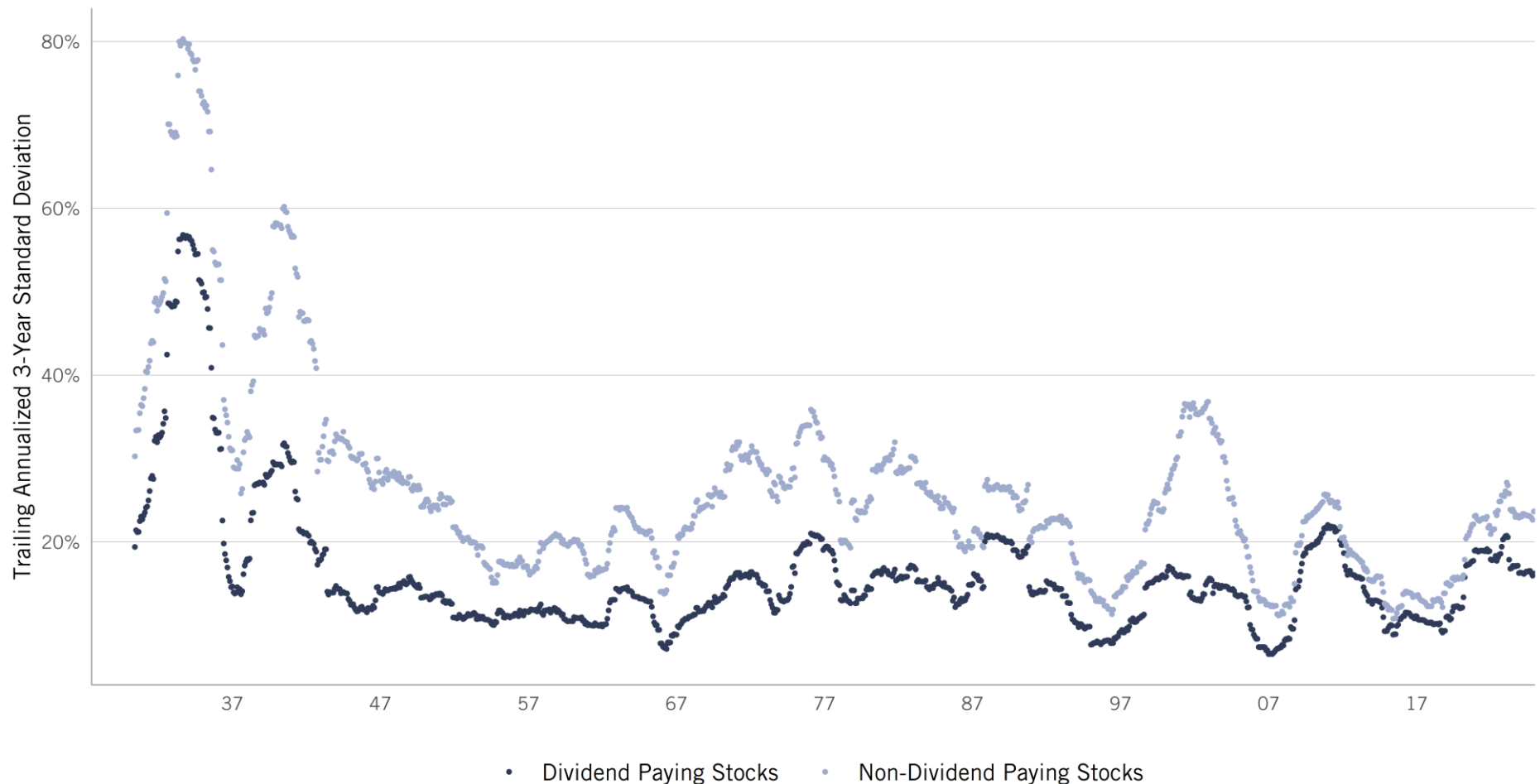
Sources: Ned Davis Research; Hartford Funds

Portfolio created by Professors Eugene F. Fama and Kenneth R. French show that Value Stocks and Dividend Payers have enjoyed the best long-term returns.



As of 12.31.24. Value stocks are the highest 30% of Book Equity to Market Equity (BE/ME). Growth stocks are the lowest 30% of Book Equity to Market Equity (BE/ME). Common inception for the portfolios is 12.31.27. Equal weight portfolios. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

Though we do not necessarily think that volatility equals risk, most prefer a smoother ride when it comes to their investments. Happily, dividend payers would seem to allow folks to have their cake and eat it too, given higher returns historically and lower standard deviation.



From 06.30.1927 through 12.31.2024. Trailing annualized 3-Year standard deviation. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

Dividends are never guaranteed, as we saw in the wake of COVID-19 and the Great Lockdown, but the historical data show that Corporate America has a long history of raising payouts. In fact, per share dividends for the S&P 500 were higher (modestly) in 2020 vs. 2019. And dividend payments for TPS Portfolio nearly doubled between 2014 and 2024, even as substantial distributions were made and tax payments withdrawn from the account.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	SUSPENSIONS
2025 (as of 06.30.25)	198	3	4	1
2024	342	8	15	2
2023	348	11	26	4
2022	377	7	5	0
2021	353	19	4	1
2020	287	11	27	42
2019	355	6	7	0
2018	374	6	3	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1

Source: Standard & Poor's.

S&P 500 DIVIDENDS PER SHARE	
2026 (Est.)	\$86.51
2025 (Est.)	\$81.81
2024	\$74.61
2023	\$70.91
2022	\$67.57
2021	\$60.54
2020	\$58.95
2019	\$58.69
2018	\$53.86
2017	\$50.47
2016	\$46.73
2015	\$43.49
2014	\$39.44
2013	\$34.99
2012	\$31.25
2011	\$26.43

Source: Bloomberg. As of 07.03.2025

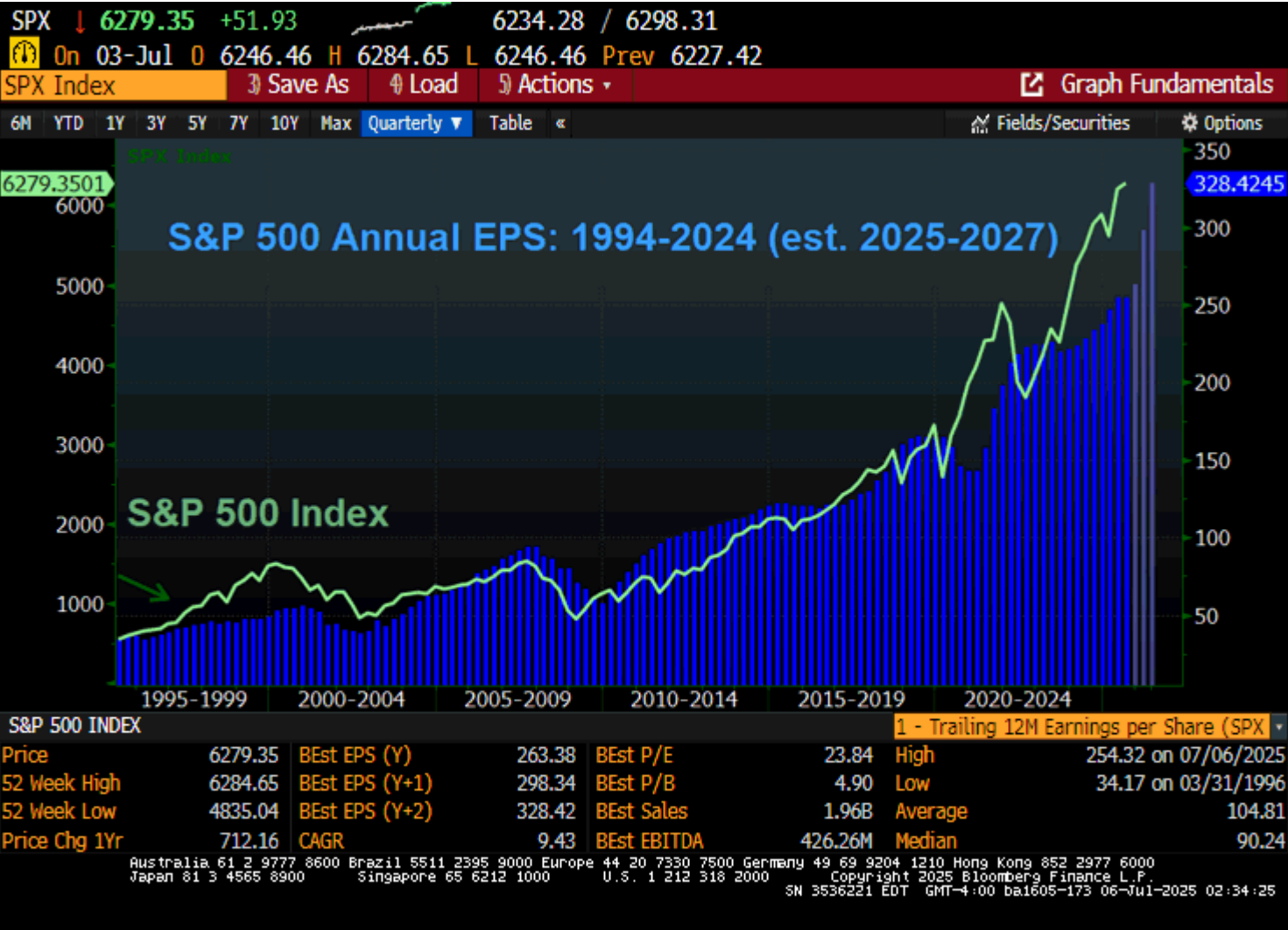
TPS Annual Dividends	
2024	\$126,237
2023	\$122,361
2022	\$112,179
2021	\$96,562
2020	\$95,753
2019	\$97,995
2018	\$87,802
2017	\$89,787
2016	\$75,460
2015	\$68,785
2014	\$65,357

Source: Kovitz





Q1 report cards for Corporate America generally were solid, with 77.5% of companies in the S&P 500 topping bottom-line expectations and 52.0% eclipsing top-line projections. No doubt, tariffs and business uncertainty are big potential headwinds in the near term, but the outlook for 2025 & 2026 EPS growth, while down over the last three months, is still solid, even as we realize analysts are often too rosy in their outlooks.



S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2026	\$78.67	\$295.31
9/30/2026	\$76.00	\$285.72
6/30/2026	\$71.51	\$276.41
3/31/2026	\$69.13	\$266.92
12/31/2025	\$69.08	\$255.30
9/30/2025	\$66.69	\$247.43
6/30/2025	\$62.02	\$239.90
3/31/2025	\$57.51	\$236.24

Source: Standard & Poor's. As of 06.30.2025

S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2026	\$81.46	\$306.74
9/30/2026	\$79.83	\$297.65
6/30/2026	\$75.28	\$287.69
3/31/2026	\$70.17	\$277.74
12/31/2025	\$72.37	\$267.35
9/30/2025	\$69.87	\$256.65
6/30/2025	\$65.33	\$245.94
3/31/2025	\$59.78	\$238.97
12/31/2024	\$61.67	\$233.82

Source: Standard & Poor's. As of 02.28.2025

## **Stocks on Sale: Investment Themes for 2025**

**A Pivot Home**

**Power & Energize the U.S.**

**Fond of Financials**

**Make America Healthy Again?**

**Getting from Point A to Point B**

**Intelligent Ways to Play A.I.**

**Small Company, Big Potential**



## 2025 Market Outlook Winners & Losers Year-to-Date

Symbol	Name	07.15.25 Price	Target Price	YTD Return	Industry Group	P/E	NTM P/E	P/S	Yld	MarCap
Winners										
STX	Seagate Technology	\$149.05	\$158.23	75.0%	Technology Hardware	22.7	15.4	3.7	1.9%	31,631
NRG	NRG Energy	\$146.88	\$174.79	64.1%	Utilities	14.1	20.1	1.0	1.2%	28,717
JBL	Jabil	\$218.78	\$229.87	52.2%	Technology Hardware	24.9	20.8	0.8	0.1%	23,479
CVS	CVS Health	\$63.94	\$89.88	45.7%	Health Care Equipment & Srvcs	10.1	10.3	0.2	4.2%	80,885
ORCL	Oracle	\$234.96	\$249.57	42.2%	Software & Services	39.0	34.7	11.5	0.9%	659,963
LRCX	Lam Research	\$101.07	\$108.30	40.7%	Semiconductors	27.9	24.1	7.5	0.9%	129,280
C	Citigroup	\$90.72	\$99.19	30.8%	Banks	13.0	10.8	nmf	2.5%	169,441
DINO	HF Sinclair	\$44.26	\$54.74	30.0%	Energy	nmf	15.9	0.3	4.5%	8,339
VWAPY	Volkswagen AG	\$10.77	\$14.28	25.8%	Automobiles & Components	5.0	4.7	0.6	4.3%	22,204
GS	Goldman Sachs	\$702.51	\$756.52	23.9%	Financial Services	16.3	15.5	nmf	1.7%	223,674
JPM	JPMorgan Chase	\$286.55	\$299.71	21.5%	Banks	20.1	15.1	nmf	2.0%	796,349
META	Meta Platforms	\$710.39	\$772.76	21.5%	Media & Entertainment	22.0	22.0	10.5	0.3%	1,786,153
GILD	Gilead Sciences	\$109.06	\$119.74	19.8%	Pharmaceuticals, Biotechnology	14.1	13.5	4.7	2.9%	135,663
Losers										
AEO	American Eagle Outfitters	\$10.05	\$17.95	-37.8%	Consumer Discretionary Distrib	9.0	9.1	0.3	5.0%	1,741
CIVI	Civitas Resources	\$28.53	\$78.45	-35.9%	Energy	3.8	4.6	0.5	7.0%	2,641
UPS	United Parcel Service	\$99.53	\$162.60	-18.6%	Transportation	12.8	14.1	0.9	6.6%	84,282
ALB	Albemarle	\$70.02	\$134.73	-17.7%	Materials	nmf	nmf	1.6	2.3%	8,239
FDX	FedEx	\$230.66	\$334.42	-17.0%	Transportation	12.7	12.4	0.6	2.5%	55,266
MRK	Merck & Co	\$81.52	\$136.40	-16.5%	Pharmaceuticals, Biotechnology	10.5	9.1	3.2	4.0%	204,699
AAPL	Apple	\$209.11	\$238.89	-16.3%	Technology Hardware	29.2	28.6	7.8	0.5%	3,123,231
GBX	Greenbrier Cos	\$50.87	\$70.68	-15.6%	Capital Goods	7.1	9.9	0.4	2.5%	1,571
BMJ	Bristol-Myers Squibb	\$46.43	\$75.88	-15.0%	Pharmaceuticals, Biotechnology	6.3	7.8	2.0	5.3%	94,489
BHE	Benchmark Electronics	\$38.86	\$49.26	-13.6%	Technology Hardware	17.1	16.4	0.5	1.7%	1,403
ZBH	Zimmer Biomet Holdings	\$94.03	\$159.19	-10.6%	Health Care Equipment & Srvcs	11.9	11.7	2.4	1.0%	18,604
NTAP	NetApp	\$103.47	\$147.33	-9.4%	Technology Hardware	14.2	13.4	3.2	2.0%	20,732
MTH	Meritage Homes	\$69.45	\$115.21	-8.5%	Consumer Durables & Apparel	4.4	8.5	0.8	2.5%	4,989



**“As I struggle to maintain the tranquility and perspective of long-term investing, which has been a bit shaken by recent actions in the stock market, I hope you too can maintain the belief that ‘this too shall pass away.’ Life is pain and suffering as well as joy and triumph, but not necessarily in equal amounts. I think there are many who believe life is a hard struggle with intermittent periods of relief, while others believe that life is generally good with intermittent moments of trauma and darkness. Let us belong to the positive, optimistic class and not let the plethora of seemingly negative events, in the stock market and elsewhere, shake our faith in the good we now have.”**

**—Al Frank**





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