Dear Friends,

The first quarter of 2025 was best characterized by extreme volatility as the market and investor sentiment vacillated between high enthusiasm and deep concern. We entered the year fully in rally mode and the market reached new highs as it peaked in mid-February. Then sentiment rapidly changed as fears of Chinese ingenuity emerged when DeepSeek introduced their version of artificial intelligence created at a significantly lower cost. Suddenly, investors began to worry about competition from China for AI and began re-evaluating the forward earnings potentials for many of the large cap technology companies. This initiated the sell off which was further exacerbated by the announcement of President Trump's trade policy regarding tariffs.

As we end the quarter, the broad US Stock market, as characterized by the S&P 500, is down 4.59%. The Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange. Along with the Dow Jones Industrial Average and S&P 500, it is one of the three most-followed stock market indices in the United States. This benchmark was down 9.7% for the first quarter more than double the S&P 500 Index.

It is worth considering the composition of the S&P 500 Index and looking under the cover at the broader market. As we have discussed previously, the S&P 500 Index is a market cap weighted index and the larger the company the higher the percentage of the index it is. We know that the Magnificent 7, were the largest companies last year on the way up, and as such have the biggest impact on the way down. It is interesting to note that of the "Magnificent 7", only Meta and Netflix are positive for the year to date and the others are down anywhere from 10% to close to 40% (Tesla) for this period. At the same time, large cap value stocks such as CVS, Phillip Morris, AT &T and others are up substantially as capital has rotated out of technology stocks in favor of dividend paying companies. This rotation from growth to value represents a reaction to valuations and a method for reducing risk. As some point this rotation will reverse when investors become comfortable with technology future and risk again.

On April 2nd, we finally got a good look at what the international tariffs will look like and have a better sense of their potential impact. The on again, off again rhetoric has increased investor uncertainty. Now that the tariffs have been announced, the initial reaction in the markets has been negative and it is affecting sentiment and raising fears of recession or stagflation. There remains an expectation that some of these will be negotiated into lesser impact as countries review the impacts. Many analysts are sharing concerns that this will negatively impact corporate governance and spending plans. The fear is that reduced spending by corporations, as well as reduced consumer spending will push the US economy into reduced growth or even negative growth. Many analysts see tariffs as inflationary suggesting that we may be facing a period of stagflation or recession ahead, lowering earnings expectations along the way.

Stagflation is characterized by falling GDP and rising inflation and generally has negative impacts on equity valuations. If companies are facing higher costs, but making less sales, earnings generally decrease unless productivity in improved through automation or artificial intelligence. We believe that it is premature to expect that the demand for AI related solutions has abated. By the same token, it is likely

that some spending plans have been tabled until the tariff picture becomes clearer. We see this as a short-term issue and long term we continue to believe that the US economy remains in a technology revolution and that AI solutions will result in higher corporate efficiency and earnings over time.

This has been a difficult start to the year, and we believe the next quarter is likely to face the same headwinds. Political decisions will continue to create headline risk and tariff negotiations will continue to create volatility. We will likely see continued concerns over recession risks rising and we expect to see higher unemployment rates coming from downsizing in both corporate America and the US Government. We will likely see higher inflation from tariffs as well as slower growth in the economy from trade issues and softer consumer spending.

Our base case has been that we would not see a recession, but clearly the risks thereof have risen based on the level of tariffs being assessed. Should this devolve into an ongoing tariff war with multiple countries raising tariffs in response, the markets can certainly get worse. Nonetheless, we do not see a significant recession ahead and believe that should the economy begin to fall into negative growth, that the Trump administration and/or the Federal Reserve will take action to address that.

We are of the opinion that as we move into the latter parts of the year, concerns over midterm election results will begin to drive policy. It is very important to the Trump administration to maintain control of Congress so steps will be taken to be supportive of economic growth and a better sense of well-being for voters. We believe one of the catalysts for this will be the passing of the tax bill which will extend the tax cuts initiated in Trump's first term.

Our opinion is that we need to remain patient, long term focused and balanced in our asset allocation, with the continued focus on large cap stocks. We believe the focus should remain on US based large cap equities, and investors should position themselves to add risk when the market does show signs of resurgence.

Once again, it is important to review overall asset allocation, risk tolerance and goals. We cannot control the market, only try and anticipate its behavior, and ultimately, we can control how we react and respond.

Thank you for your trust.

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The S&P 500 is an unmanaged index of 500 widely held stocks. The NASDAQ-100 is a stock index made up of equity securities issued by 100 of the largest non-financial companies listed on the NASDAQ. It is a modified capitalization weighted index. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investors results will vary. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise. Investing in stocks involves risk, including the possibility of losing one's entire investment.

Dividends are not guaranteed, will fluctuate and must be authorized by the company's board of directors.

U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value.

Alternative investments involve substantial risks that may be greater that those associated with traditional investments and are not suitable for all investors. These risks include, but are not limited to: limited liquidity, tax considerations, incentive fee structure, potentially speculative investment strategies and different regulatory requirements. Investors should only invest in alternative investments if they do not require a liquid investment and can bear the risk of substantial losses.