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QUARTERLY INVESTOR LETTER

Gold and Silver bullion were the best performing assets in 2025. New record prices finally eclipsed, on an inflation-adjusted basis, previous highs set in the late 1970s. At that time, a stagnant US economy suffered from high inflation and a weak currency – i.e., a miserable condition known as “stagflation.” The relative performance of precious metals in 2025 could suggest a similar outlook. Yet, the stock market completed a third consecutive year of above average returns, despite tariff-induced volatility and geo-political uncertainty. The stock market’s performance in 2025 offers greater optimism than the signal from precious metals.

Silver benefited, in part, from greater industrial demand. Gold’s performance, on the other hand, primarily reflected speculative behavior and increased demand from central banks. Investors have historically viewed gold as a store of value and reliable hedge against currency debasement. In this context, the performance of gold could reflect investor allocations to hedge the worsening US fiscal condition. A few years ago, cryptocurrency advocates made the same argument for Bitcoin, also known as “digital gold.” Bitcoin generated negative returns in 2025, despite passage of legislation purported to legitimize the asset class. The performance divergence between gold and crypto represents an ironic reversal of recent prognostications from crypto investors. One could argue gold’s outperformance came at the expense of crypto assets.

April’s volatility spike was in response to reciprocal tariff announcements that caught investors off guard. The ensuing correction proved sharp, yet brief, and reversed once the Administration paused the tariffs. The Dollar weakened sharply during the period, contributing to the growing interest in Gold. For many of our trade partners, tariff policies included exemptions and carve-outs, rendering the overall economic impact difficult to forecast. As the US continues to negotiate

bilateral trade agreements, we expect improved visibility regarding the impact of tariff policy on trade flows and currencies.

Our economic outlook assigns low probability to the stagflation outcome. Unemployment remains near historic lows, and corporate balance sheets are in great shape. Inflation gauges have moderated, but they remain above the Fed’s target. This factor complicates the Fed’s deliberations over monetary policy. Moreover, most economic indicators support a growth outlook, suggesting the level of interest rates has not yet proved restrictive. We are concerned about the degree to which recent US economic growth has depended on technology investments, especially projects related to artificial intelligence (“AI”). A handful of stocks generated the majority of earnings growth and captured a disproportionate share of index gains. Without AI-related spending, which includes massive projects to expand data center capacity and power generation, US GDP growth would have been modest. Additionally, in a worrisome echo of the telecom bubble of the late 1990s, there is growing skepticism that AI applications will ever generate positive returns given the enormity of invested capital.

The health of the consumer, as primarily reflected by labor market conditions, remains the key variable. Congress renewed many aspects of the 2017 Tax Act, whose impact will become evident as many taxpayers receive larger than expected refunds. Tax refunds are a form of fiscal stimulus that could boost economic activity this Spring. However, increased consumption from tax refunds could be offset by renewed student loan payments. We remain constructive overall, but we also acknowledge numerous late cycle indicators that warrant some caution. We look forward to meeting with you to review our outlook, and we hope to see you at our 17th Annual Investment Symposium on Thursday, March 5th. Happy New Year!