



Second Quarter 2025

Performance

In the second quarter of 2025 the Flagship portfolio advanced 8.06%, net of fees.¹ The S&P 500 Index, our benchmark, gained 10.94%. For the first six months of the year our Flagship declined 0.03%, net of fees, while the S&P 500 Index gained 6.20%.

Review

For the first half of this year the portfolios' returns lagged our benchmark. Our returns were hurt by our investment in UnitedHealth Group. The company is the largest health insurance and medical services provider in the nation. Until very recently the company has had an enviable history of growth and good management.

Regarding United, it is important to note that the Federal government is deeply involved in the reimbursement of health care in the United States, now paying for many of the insurance and medical services provided by private companies such as United to Medicare recipients. Over the past few quarters, the Federal government's reimbursement practices have begun to impair United's revenue and earnings to the point where, we believe, United's long-term growth has been impacted adversely. Because of this uncertainty, we exited the holding in the second quarter.

In the stock market decline during Liberation Day week, we initiated new holdings in Palo Alto Networks, Chipotle Mexican Grill and Zoetis at favorable valuations. All three companies are well-established leaders in their respective fields.

Palo Alto is arguably one of the two or three global leaders in cybersecurity – a growth industry judging by all the widely-reported IT security breaches that occur with disconcerting regularity. Chipotle is a restaurant company in the “fast casual” restaurant” category. A visit to one of the company's stores is a testimony to the business' popularity and its high-quality food offerings. Zoetis is a leader in developing and distributing animal health medicines. Its strength in companion animal health is especially noteworthy. We believe all three have many years of growth ahead of them.

¹ “Flagship” refers to an account that the Firm believes fairly represents the Stewart Asset Management Team's strategy (“Strategy”), and how it generally implements its investment process under normal market conditions. The return provided is the performance of the Flagship that the Firm believes fairly represents the performance of the Strategy for the first quarter of 2025.

In the quarter, we also profitably exited two holdings, MSCI Inc, a global data services and database company, and Domino's Pizza, a restaurant company. Our analyses have led us to conclude that both companies are most likely to grow much less rapidly in the future.

Prospects

Despite the modest setback in the portfolios in the year-to-date period, the Look-through Earnings of the portfolio continued to grow.² In the first quarter, your portfolio's earnings increased by over 20%. We expect that in 2025, all the holdings in your portfolio will grow, some quite notably, such as Nvidia, Broadcom, Palo Alto, and Mastercard. Over the next half decade, we believe that the earnings power behind your portfolio will grow at about 17.5%, a rate of growth greater than what most analysts expect of the S&P 500 Index.

While the growth in earnings is paramount to our investment strategy, we can't ignore the very real intrusions of the macroenvironment. The new administration in Washington has launched many new initiatives domestically and internationally that differ markedly and, in some instances, radically from previous administrations' policies. These changes have caused both adulation and scorn. The cacophony has caused shares to swing turbulently. Our many decades of profitable investment experience demonstrate that resolutely focusing on the growth and quality of the businesses in which we have invested clients' capital will yield strong results over the long-term.

Underlying this feverish din, investors should bear in mind that the U.S. economy, corporate profits and job creation continue to grow solidly. In addition, inflation has collapsed from its nine-percent high of three years ago, although it seems to be stuck at a rate that remains modestly above the Federal Reserve bank's long-term goal. Lastly, the government's economic policy seems pro-growth though many question our government's blustering.

Conclusion

Share prices seem to have regained much of their composure though an echo of the recent bristling volatility may recur in the short term. Volatility creates opportunities both to invest and to profitably harvest and we are intent on taking advantage of such occasions.

My colleagues and I would like to wish you all an enjoyable summer. Please call or email me at any time.

I look forward to communicating with you in early October.

² "Look-Through Earnings" refers to an investment approach where an investor measures the earnings based on the number of shares of the individual holdings in the investor's portfolio. It is an approach that Stewart Asset Management has used since its inception and that its predecessor company also used.

Thomas M. Valenzuela

Chief Investment Officer

*** Performance Disclosures**

The returns for the fourth quarter of 2025 is the performance of an account ("Flagship Portfolio") that the Firm believes fairly represents the performance of the Stewart Asset Management Team's ("SAM") strategy ("Strategy"). The "net" returns presented are after the deduction of management fees as well as other expenses, including costs associated with brokerage. The year to date return stated for 2025 is based on performance of the Flagship Portfolio starting from January 1, 2025, to June 30, 2025.

SAM is a team at Ingalls & Snyder, LLC ("INGS"), an investment advisor registered with the Securities & Exchange Commission and a FINRA member broker dealer. SAM is not affiliated with W.P. Stewart & Co. ("WPS"). More information including the firm's Form ADV Brochure and Form CRS can be found at <https://www.ingalls.net/important-information>.

The information presented herein is for educational purposes only and is not intended to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial advisor and/or tax professional before implementing any strategy discussed herein. Net performance from 1/1/2019 onwards reflects a 1% annual client management fee. All performance numbers for SAM prior to 1/1/2019 are shown net of its 0.80% annual client management fee and transaction costs associated with the Flagship portfolio.

The performance numbers reflect the transactions for certain Flagship accounts of SAM, representative client accounts from which other clients' accounts of SAM are modeled. The results for periods from inception of the SAM strategy until 12/31/2022 are the actual results for SAM's initial Flagship account, and results for periods since 1/1/2023 are the actual results for SAM's second Flagship account. Results presented during the periods shown were only adjusted for fees, and there were no other material additions or withdrawals from the Flagship accounts during the periods they were used for performance measurement. There are two Flagship accounts because the original Flagship account took on a margin loan during 2023, which no longer made its unadjusted performance results comparable to other client accounts thereafter. The stocks in the second Flagship account have been managed in a substantially identical manner to those in the original Flagship account during all relevant periods.

The comparison to the S&P is to provide a comparable large capitalization index to the SAM flagship accounts which are invested mainly in large capitalization equities. The SAM Flagship accounts are concentrated U.S. equity portfolios with less positions than the S&P 500 index. Performance charts in and of themselves cannot be the sole determinant in making an investment decision. Due to the timing of clients' investments in the SAM strategy, which is patterned after the model, clients' returns may be more or less than the actual performance of the flagship accounts. The performance of the Flagship accounts do not reflect actual client performance as fees and transactions costs may be higher. Past performance is not indicative of future performance.

The annualized returns for a 10-year period from July 1, 2015 to June 30, 2025, net of fees, and the performance for a 5-year period from July 1, 2020, to June 30, 2025, are 14.61% and 14.19%, respectively, net of fees. Annualized returns provided herein are based on performance of the Flagship Portfolio as described above. Performance returns reflect the average annual rates of return. Performance from January 1, 2019, to March 14, 2024, reflects SAM's investment performance as a team at Stewart Asset Management, LLC, which was a period prior to SAM's move to and continued management of the Strategy at Ingalls & Snyder, LLC ("Ingalls"). Generally, the Strategy maintains an allocation ranging from 1% to 4% in cash.

Flagship Portfolio represents how SAM generally implements its investment process under normal market conditions. Past performance is not an indication of future results. The performance of each client's managed account may differ due to specific investment guidelines, restrictions and time period which the account has been open and under the management of SAM. Accordingly, individual results will vary.

Additional Disclosures

This Strategy are subject to market risk, which is the possibility that the market values of securities owned in an account will decline. Accordingly, you can lose money investing in this Strategy. Please be aware that this Strategy may be subject to certain additional risks. In general, equity securities' values also fluctuate in response to activities specific to a company. Investments in foreign markets entail special risks such as currency, political, economic, and market risks. American Depositary Receipts (ADRs) represent an ownership interest in securities of foreign companies and involve many of the same risks as those associated with direct investment in foreign securities, including currency, political, economic and market risks. The Strategy may, from time to time, invest in stocks of small- and medium-capitalization companies which entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies.

The Flagship Portfolio has employed the investment strategy in a similar manner to that employed in the SAM's separately managed accounts ("SMAs"). However, portfolio management decisions made for the Flagship Portfolio may differ. The holdings and portfolio activity in the Flagship Portfolio may not be representative of some SMAs managed under this Strategy due to differing investment guidelines, client restrictions, and the time period the account was opened and managed by SAM.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. Please consider the investment objectives, risks and fees of the Strategy carefully before investing.

