2025 Investor Letter

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"Every driver has a limit. Mine is a little bit further than others."

— Ayrton Senna, greatest Formula One driver of all time

"I'm not funny. What I am is brave."

— Lucille Ball, greatest ~~female~~ comedian of all time

"I'd rather be optimistic and wrong than pessimistic and right."

— Elon Musk

"I can outlearn you.
I can outread you.
I can outthink you.
And I can outphilosophize you."

— Robert De Niro as Max Cady, *Cape Fear*

"I'm not superstitious, but I am a little stitious."

— Michael Scott, *The Office*, on how Bayesians form priors

"A wall is a very big weapon."

— Banksy

December 2025

Dear Fellow Investor,

The greatest treasure hunters know that the treasure they seek is not lost. It is waiting.

Starting in 1969 and for 5,954 straight days, treasure hunter Mel Fisher sought what was waiting for him: the wreckage of the *Nuestra Señora de Atocha*, a Spanish galleon that sunk in 1622.

How do you recruit, retain, and motivate a crew when you are not sure ***when*** you will find the treasure, ***if*** you will find the treasure, or ***what*** the treasure will be worth? Fisher developed a powerful operating philosophy, captured in its entirety with three amazing words.

"Today's the day."

Every morning, for 16 years, Mel Fisher banged pots and pans in the pre-sunrise to rouse his crew, shouting and smiling, "Today's the day, men. Today's the day."

Eventually it was true. On July 20, 1985, Mel and his crew discovered the most valuable shipwreck in history, 70 miles off the coast of Key West. The *Atocha* yielded gold and silver today worth more than $10 billion.

Fisher's "today's the day" philosophy reframed what could have otherwise been a mentally tortuous journey – will we ***ever*** find the treasure? Is it even ***here***? – into **daily play** characterized by disciplined guessing, dispassionate refinement, and the singular goal of ending the day less wrong.

Fisher had never studied, or even heard of, Bayesian statistics. Yet, as we will see, his operating philosophy, and its daily ritual of iteration, was textbook Bayesian. Fisher also settled – for me – a foundationally important debate I had struggled with about the philosophy of probability theory which, in turn, provided me with an operating manual for leadership.

Arriving at the University of Chicago's Ph.D. program in 1991, I, like Fisher, had never studied, or even heard of, Bayesian statistics. Yet, exposure the first day of my first class turned into a wandering, wondering, and still unabated obsession. **I left the program five years later with a Ph.D. in Bayesian statistics (and finance)**, and my career has essentially been a three-decade extension of what I learned at Chicago. **I now do Bayesian treasure hunting for a living.**

TODAY'S THE DAY

Fancy math aside, the foundational idea of Bayesian statistics is simply learning from experience. Things get started with a "prior distribution", which is what you ***think*** you know about what you ***want*** to know – for example, "Where is the treasure?" That "prior" is mixed with observable data – experience – to form a "posterior distribution", a structured mashup of your prior and the data you collected. The posterior represents your ***new view*** of what you want to know – for example, "I now know the treasure is ***not*** over there."[i]

The power of Bayesian statistics is in the trade-off inherent in the framework. How much do you listen to your pre-wisdom intuition before it is enhanced by the data you collect, knowing your pre-data knowledge is limited, at best? How much do you listen to your new data, especially if it contradicts your pre-data intuition, knowing your limited sample may not lead you closer to the treasure, and might even throw you off the trail?

When done with mastery, Bayesian statistics is a beautiful, egoless, daily practice of being less wrong.

In hindsight, every incoming University of Chicago Ph.D. student in 1991 – our collaborative little group of intellectually hungry sponges – was susceptible to becoming a Bayesian. Arnold Zellner, a giant in the history of Bayesian econometrics, towered, gently, over the business school's statistics department, having just been named President of the American Statistical Association and – to me – a hilarious, wonderful, deeply caring professor. And though my own research was – and still is – focused on empirical asset pricing, my six-man dissertation committee ended up including four Bayesian statisticians, each a legend in the field.

I recall as if it were yesterday my dissertation co-chairman Rob McCulloch teaching me that the Bayesian-required question "how do we set our priors?" illuminated a philosophical debate, still raging, about probability theory because that simple question is akin to asking, ***"What can we know prior to knowing?"*** I thought about that deeply for years.

Studying Fisher, and treasure hunting, I now know that the answer is, often, a lot.

"What's an expert anyway? Just some guy from out of town."

— Mark Twain

Consider that Fisher knew to search off the coast of Florida and not, say, Australia. How? During his pre-search research at the Archivo General de Indias in Seville, Fisher discovered a faded 1622 salvage account describing the treasure fleet's loss and references to survivors setting up camp in Cayos del Marques, or Key Largo today. So, Fisher's prior variance was very large to start – search the Florida Keys – but ***not*** practically infinite – search all 140 million square miles of water on the surface of the planet.[ii]

Knowing ***roughly*** where the *Atocha* sank and ***roughly*** the seasonal path of the current – that is, knowing ~~prior to knowing~~ before collecting any data from the sea – Fisher literally, and massively, shrunk the problem. Bayesian shrinkage, a foundational element of Bayesian statistics, involves pulling in especially noisy estimates – say, all oceans on Earth – closer to a central value – say, water off the coast of Florida. My dissertation – which applied new computational techniques in Bayesian shrinkage to old problems in finance – helped me see Fisher as a Bayesian.

Every day, Fisher, like any good Bayesian, updated his prior guess of where the *Atocha* **was** with data about where it definitely ***was not***. Every day Fisher became a little less wrong.

In finding the *Atocha* in 16 years – and not 60, or never – Fisher adhered to Bayesian-adjacent principles that Alec Litowitz, founder of Magnetar Capital, and my former boss and mentor, writes about in his forthcoming and fascinating field-guide-for-success, *The Adaptability Quotient: Rewiring Your Mind for Success in the Next Human Era*:

"Confirmation bias is the worst enemy of iteration. In a Bayesian system, it's fatal. If you only accept the data that supports your hypothesis, you're not updating – you're entrenching. The ***people who learn fastest*** *are the ones who are most willing to be wrong…with the humility to trade conviction for information, one update at a time."*

Fisher let the data speak and learned fast. In 1973, he found silver bars and coins matching the *Atocha*'s manifest. Less wrong. Two years later, he discovered bronze cannons with *Atocha* markings. Even less wrong. Ten years after that, the motherlode. Absolutely right.

As students of the great Chicago Bayesians, we at Stone Ridge seek continual improvement in the speed of our unbiased iterations. We are trained to privately ask ourselves, "Was I less wrong today?" Our progress depends on eruptions of good questions, and truly listening to the answers. **We would rather look dumb by asking, than not ask and be dumb.** People forget if you looked dumb. They do not if you are.

As students of the great Bayesian Fisher, we at Stone Ridge know that **success** is not always linked to intelligence, boldness, or experience, but **does consistently follow those most adaptive**. In Litowitz-speak, it is not just IQ or EQ that matters, but AQ – adaptability quotient – a way of thinking that prioritizes learning over being right, and structure over rigidity. **When the terrain shifts, do you update or insist?**

Updating our prior – Chicago – with our data – Fisher – allows us to graduate with an extraordinarily valuable posterior because it contains X-marks-the-spot wisdom: **markets overpay for stories of the future and underpay for hidden treasures of the past.** That single Chicago-Fisherian insight caused us to make $3 billion in uncorrelated trading profits this year and $10 billion the last three. To see how, let's go Bayesian treasure hunting and discover what awaits us buried in old reinsurance balance sheets and ancient Arkansas rock.

OPTIMISTIC AND ~~WRONG~~ RIGHT

In 2023, amidst intense diligence for what ultimately became a $3 billion purchase of PDPs[iii] in Arkansas' Fayetteville Shale, we noticed that of the 860,000 acres included in the deal, 800,000 were covered with PDPs and 60,000 – all adjacent – were covered with grass. That's a lot of undeveloped land.

"Why are there no drilling rigs here?"

We decided to park our one major unanswered diligence question for the sake of efficiency, once convinced our PDP-only purchase could deliver our target returns.

Two years later, after taking over operations of the 5,596 wells we purchased – and our internally reframed responsibility of powering the homes of four million American families – the question resurfaced. "Why are there no rigs here?"

This time we could not shake it.

We learned that no one had drilled anything new for almost a decade, odd for a basin that size. A little stitious, we wondered, "Does treasure await?"

We suspected the previous owner's "denominator problem" could explain their lack of drilling. They were an enormous company. Any marginal improvements in Fayetteville, despite being potentially large in dollar terms, would likely not move the needle in ROE, their north star. In contrast, Stone Ridge operates every day with a "no basis point left behind" mindset. **One basis point is our north star.** And, to us, large dollars will always be large dollars.

We also learned that two important aspects of drilling changed in the past decade: technology[iv] and cost. Completion – the act of getting a drilled well to the point that gas steadily comes out of the ground for commercial purposes – now benefits from better drills, smarter rigs, more powerful fleets, and advanced digital control systems. And following a version of Moore's Law, the new and better technology continually costs a lot less.

We decided to run a tightly controlled test program on our undeveloped land, drilling new wells, seeking fast, unbiased iterations, and updating – and hopefully tightening – the variance of our Bayesian prior – every day. Was there untapped gas under our 60,000 acres of grass? If so, where? If so, how much?

Our approach was surgical. Two pads, five wells, disciplined design, unbiased data analysis, and adherence to the following mathematical identity.

$$\text{Drilling for natural gas} \equiv \text{searching for buried treasure in ancient rock}$$

Though we did not shout "Today's the day" every morning during our Fayetteville testing, we did feel Fisher-like energy as our ignorance shrank. Less wrong. Even less wrong. Absolutely right.

Eureka! We found Fisher-like treasure.

Composed of oil and gas, not gold and silver, our no-less-precious motherlode means that the $10 billion lifetime revenue we originally expected in Fayetteville now looks more like $15 billion. Discovering half-an-*Atocha* caused us to immediately shrink our priors in all seven U.S. basins we operate, a technical Bayesian statistical concept called "borrowing strength." Our ***philosophy of probability theory***, concretely applied to our Fayetteville test results, allowed us – with ***powerful practical efficiency*** – to **know without knowing** in the not-yet-tested basins. Less wrong.

We are now in the process of learning as much as is ***known*** about drilling before tapping our AQ to push the limit "a little further than others" and get closer to what is ***knowable***. Every day counts because there's ~~gold~~ oil and gas in them thar hills. It is waiting.

"It may seem difficult at first, but all things are difficult at first."

— Miyamoto Musashi, *The Book of Five Rings*

In launching our energy franchise almost five years ago, we assumed our breakthroughs in proprietary financing and hedging technology – and the resulting material edge in our cost of funds – were sufficient conditions for best-in-class investment performance. We quickly and painfully learned, however, that financial sophistication cannot substitute for industrial control. In energy markets, physics – not finance – sets the tuition entrepreneurs must pay.

A bit chastened, we updated our prior and then – fortuitously – met Flywheel Energy, by far the best operators in the industry, due in part to their entire executive team's roots in elite military operations. Flywheel is now part of Stone Ridge.

Under Flywheel's peerless leadership, and an unbeatable team of 794 superstars – including 569 in the field – we now operate ***our*** wells ***our***selves. With every colleague crisply aligned on, and unambiguously individually responsible for their specific part, maximizing a singular metric – total dollars of operating profit – physics and finance are now in sync. Industry-leading results have followed.

Since inception, **Stone Ridge Energy (SRE) has purchased almost $11 billion of energy assets**, all via proprietary securitizations – no bankers, no information leakage, no fee leakage. Over that period, spot natural gas has traveled in a staggeringly wide and volatile range of $1.50/MMBtu to almost $9/MMBtu. Yet, across thirteen equity tranches, the integrated precision of **Flywheel physics + Stone Ridge finance has produced >20%/year**, with low volatility, and no correlation to anything.[v]

"Never was a finer canvas presented to work on than our countrymen. All of them engaged in the pursuits of honest industry, independent in their circumstances, enlightened as to their rights, and firm in their habits of order."

— Thomas Jefferson in a letter to James Madison, 1796

The U.S. shale revolution required three actors, working in concert. First, unlimited underground supply of hydrocarbons. Second, technological breakthroughs to access it. Third, profit-seeking capital. Leveraging nature for the first part, SRE brings fresh thinking to the rest.

Play the tape forward five years and I do not see SRE as a larger version of what we are today. I see a different kind of company. SRE has a chance to matter in the same practical, civic way that a major rail line or a modern port matters. I would like us to.

At our pace of disciplined acquisitions, careful development, and unrelenting process improvement, SRE will be a top three U.S. producer of hydrocarbons. Managing that level of capital and molecule movement at our extraordinary level of operational excellence would meaningfully impact U.S. families, U.S. factories, and the competitiveness of this country. I would like us to.

More than 99% of the capital we manage at Stone Ridge, including SRE, comes from American investors. At our scale, that cannot happen by accident. At Stone Ridge, American capital produces American treasure.

OUTPHILOSOPHIZING

On average and over time, treasure hunting in the sea is not a good business. Availability bias blinds us to the fact that for every Mel Fisher, dozens of others strike out. In fact, any too narrowly defined business is not a good business over a long enough time horizon. Meta and abstract? No, Bayesian and practical. **When the terrain shifts and you insist**, your business surface area too is limited even for efficient Bayesian updating to help. In Litowitz-speak, your confirmation bias is fatal. It is just a matter of time.

Consider legacy reinsurance. In contrast to ***prospective*** quota shares – aligned, partnership trades in which Stone Ridge shares risk pro rata with leading reinsurers, tapping into their masterful ~~Bayesian updating~~ cycle management skills across dozens of lines of business – legacy trades transfer ***retrospective*** risk from (re)insurance policies written years or decades ago.

The performance of legacy-only reinsurers is like that of lenders to too narrowly defined monoline credit originators (think: "only sub-prime auto" or "only UK small business"). Victims of confirmation bias's siren song, monolines always – yes, ***always*** – originate unprofitable loans at the wrong time in the cycle.

Health warning: beware lending to monolines. When tight spreads persist, they insist.

Health warning: beware investing in legacy-only reinsurers. Confirmation bias dooms the business model and, along the way, guillotine-level adverse selection hangs over every trade. When a one-off risk-transfer price is highly attractive for clear and imperative strategic reasons, hyper-selective, non-legacy-only investors can profitably escape with their heads, but at Stone Ridge we know half-priced sushi does not mean it's a bargain.

A decade ago, there were about a dozen dedicated legacy firms and funds. Today, one large player remains, though recently its credibility detonated after initiating litigation against a client. The other remaining legacy-only firms are subscale or regionally focused. **Enter Longtail Re.**

Humble beginnings, a clear vision

Stone Ridge began Longtail Re in 2020 focused on two simple ideas: 1) partner, not compete with the world's best underwriters to generate a portfolio of hyper-diversified casualty liabilities that deliver low-cost float, and 2) invest that float in proprietary and valuable Stone Ridge-generated fixed income assets with superior risk-adjusted expected return.

Always open to Bayesian updating of its ~~prior distribution~~ **core business model of prospective quota shares**, Longtail Re's positioning has always been: be available for ~~new data and a reshaped posterior~~ legacy ***transactions*** from motivated parties we know well and who call us, but do not be in the legacy ***business***.

Out of almost 100 legacy trade requests since inception, Longtail has written…three. Three.

A landmark transaction

Longtail executed one of those three in November, **a record $1.4 billion retrospective reinsurance transaction with Everest Group**, an S&P 500 company, with whom Stone Ridge has an excellent, 13-year, uninterrupted trading relationship. Everest had compelling corporate reasons to de-risk, and the transaction with us, albeit enormous in the legacy space, was only one part of an even larger clear and imperative strategic repositioning of their entire firm. And of non-negotiable importance to us, we know (for many years), like, and trust Everest's new CEO.

The trade has an outstanding expected return profile and diversifies Longtail's core ***prospective*** portfolio because it covers ***past*** underwriting years back to 2003. It was also the largest legacy trade of Longtail CEO Mike Sapnar's career, and mine.

On their most recent earnings call, Everest's CEO said, "I was really, really glad that we were able to do this transaction with Longtail Re and Mike Sapnar…those are super credible underwriters. They did an excellent job evaluating the portfolio…it got to economics that will be very, very good for Longtail Re." We agree.

As only Bayesian treasure hunting reinsurance geeks can, we internally renamed the core trade of the legacy reinsurance industry – a Loss Portfolio Transfer or LPT – to WPT. Waiting Portfolio Treasure. Recall I said geeks.

And who wants losses?

Longtail ends 2025 with more than $6 billion in assets, about ⅓ from WPT, up from zero WPT 18 months ago. Most important, **Longtail has delivered 20% annualized ROE since inception in 2020**, 16%/***year*** higher than the average of the top three global reinsurers, our aspirational peer group in the decades ahead.

Longtail may do its next legacy trade in two years, or five, or never. In recent pre-search research, we discovered a faded 1622 salvage account in Seville – aka PwC's Annual Global Insurance Run-Off Survey – suggesting about $1 trillion of WPT may be out there, somewhere, buried in old reinsurance balance sheets. Our Bayesian training tells us about 97 out of 100 legacy treasure hunts would be for fool's gold, but also that about $30 billion of real treasure awaits. I'm betting on Longtail's Bayesian treasure hunters to find it.

WHAT YOU ARE IS BRAVE

Just last year, *The Atlantic* wrote, "15 years into its existence, bitcoin has yet to demonstrate any serious use case."[vi]

87% of humans today – though definitely no one who edits articles at *The Atlantic* – were born into a monetary system ***without*** a reserve currency, and also ***without*** democracy, rule of law, or property rights. Simply put, **the way *The Atlantic* editors use money is not the way most people on earth use money**, whose savings technology is either collapsing paper notes, cattle, or sheet metal.

Seething with financial privilege, *The Atlantic* editors might debate the relative merits of saving in NVDA vs. AMZN. How about, instead, cattle vs. sheet metal?

If bitcoin has no use case, perhaps *The Atlantic* editors should convert their **entire life savings** into Malawian Kwacha and see how it goes. In 2023, Malawi – generally considered a democratic country – ***chose* a 44% *overnight* currency devaluation**. And…it's gone.[vii] If you don't hold bitcoin, please step out of the line. This line is for people who have money. Not ~~fiat~~ credit.

No one got to vote on the inhuman cruelty of almost halving – ***overnight*** – the cumulative value of their entire life's work. Instead, the ~~criminal counterfeiters~~ central bank forced ~~*The Atlantic* editors~~ 22 million humans to invest their life savings in unbacked pieces of paper with zero marginal production cost, **turning them, ex-post, into 44% slaves**. Nothing produced limitlessly and for free can ever, eventually, have value. **Fiat is always and everywhere a ponzi phenomenon** with seigniorage the State's irresistibly silent Madoff-like pitch. Bitcoin, its kryptonite, will never take the meeting.

Still no use case? Let's try another one.

"There isn't a single goddamn thing that bitcoin can do for retail that Apple Pay doesn't already do 10x better."

— ~~The Atlantic *editors*~~ *bitcoin critic on Twitter (2019)*

"I CAN'T use Apple pay/PayPal/Visa/Master or anything like them.
I'm from Iran
I CAN use bitcoin
What do you have to say?!"

— *Ziya Sadr, Iranian human rights activist subsequently jailed for freedom advocacy (recently released)*

The critic issued a public apology.

Still no use case? Before we try a final one, a Stoic parable about awe can provide some context:

When we were very young, the world was an awe-inspiring place. Watch a three-year-old watch her dad fill up a castle-shaped bucket with wet sand at the beach. She is fascinated that her father would do such a thing, but when he inverts the bucket and carefully lifts it up – revealing a perfect sandcastle – the three-year-old is awestruck that such magic is possible and that her father has power to perform that magic.

If we meet that three-year-old ten years later, maybe she has 25% of the capacity for awe she had that day at the beach.

And ten years after that, her capacity for awe might be down to 1% of its sandcastle level.[viii]

In one of the most moving days of my life, on December 10th in Oslo I got to attend the very intimate award ceremony for the Nobel Peace Prize. My battery capacity for awe recharged to 100%.

María Corina Machado won for her decades-long commitment to freedom, democracy, and human dignity in Venezuela. In 2023, with more than one-third of her country's 30 million citizens having fled to survive – the largest refugee population in the world – Machado decided to run for President against the brutal dictator Maduro, her campaign the personification of ultimate bravery.

"Traveling by road and dirt path across a country with gasoline shortages, daily blackouts, and collapsing communications,"[ix] Machado risked her life just to campaign. On July 28, 2024, her supporters risked theirs just to vote. In a nationwide eruption of truth, Machado won in a landslide.[x] The repressive Maduro regime ignored the results, clung to power illegally, and forced Machado into hiding.

They tried to bury us.
They didn't know we were seeds.

— Venezuelan proverb

In late 2024, from a secret location, Machado was interviewed by the Human Rights Foundation's (HRF) Chief Strategy Officer, Alex Gladstein, saying,

"The world knows of Chavez and Maduro's human rights abuses, but less about their violations of financial rights, turning a functional economy into a catastrophic financial crisis. In 2018, inflation reached 1.7 million percent. This financial repression rooted in state sponsored looting, theft, and money printing happened despite our vast natural resources.

Beyond wrecking the currency, the regime weaponized financial systems against its people, freezing accounts, seizing assets, and cutting off services. ***Venezuelans found a lifeline in bitcoin during hyperinflation, using it to protect their wealth and to finance their escape.*** *Today, bitcoin bypasses government-imposed exchange rates and thus helps many of our people. It has evolved from a humanitarian tool to a vital means of resistance.* ***We are grateful for the lifeline bitcoin provides*** *and look forward to embracing it in a new democratic Venezuela.* ***We envision bitcoin becoming part of our national reserves****, helping rebuild what the dictatorship stole. Before our gold reserves were plundered, Venezuela had wealthy financial reserves worldwide. We will restore those reserves and include bitcoin as a key component.*

Unlike bank wires, which the regime blocks, ***bitcoin donations cannot be seized.*** *Let's use this technology to bring about the change Venezuela desperately needs.*

We are determined to assert our sovereignty and transform Venezuela into an open, prosperous, and secure society, something that is only possible in a free nation."

We await *The Atlantic*'s public apology.

Upon news of her Nobel win, Machado began plotting her escape from hiding. She wanted to be in Oslo as a symbol for her people and the world. When it was time, Machado – in a wigged disguise and under the cover of dark – left her jungle hiding spot, evaded multiple regime checkpoints, took a tiny fishing boat through treacherous waters, and finally – miraculously – boarded a supporter's private plane to make it to Oslo. It would be impossible to overstate the danger Machado faced to escape.

Almost immediately upon landing, at 3am local time – after hugging her family, or anyone, for the first time since she had gone into hiding 16 months earlier, and in the same clothes she began her now immensely historic day – Machado sat for an interview with *BBC News*.[xi]

I immediately noticed she sounded different.

Already the world's most inspirational living human rights activist, some transcendent combination of her time in hiding, winning the Nobel, and successful escape gave Machado's tone, timbre, and bearing a Mandela-like ascendence and regality. She spoke with extraordinary moral authority and absolute certainty about future events, words coming *through* her with divine clarity, Machado now destined to become among the greatest ~~female~~ leaders of all time.

"Venezuela has turned into a nation in which the state applies terrorism. The regime has control of all institutions and has applied state terrorism towards innocent people and committed crimes against humanity. And everybody that dares to speak

out, to defend any of your basic rights, takes a huge risk and probably ends in prison. Just for posting news about the Nobel Prize, you will get in prison. And if they go looking for you and they don't find you in your house, they will take your family, even children in prison.

So, they had to say that I'm a terrorist, that I have to be in jail for the rest of my life, and they're looking for me. So, certainly, leaving Venezuela today in these circumstances is very, very dangerous. So, I just want to say today that I'm here, because many men and women risked their lives in order for me to arrive in Oslo. And I came here on behalf of them, and the millions of anonymous Venezuelan heroes ***to receive the prize and to take it back to them****, because it's theirs.*

I'm going back to Venezuela. *The Venezuelan government would have disappeared me if they found me when I was in Venezuela. And I know exactly the risks I'm taking. And what I've said to the Venezuelan people from the beginning is I'm going to be in the place where I am more useful for our cause. And until very short time ago, the place where I thought I had to be was Venezuela. The place where I believe I have to be today on behalf of our cause is Oslo."*

In his 1978 essay *The Power of the Powerless*, human rights activist Václav Havel – leader of the Velvet Revolution, first President of the post-Communist Czech Republic, and HRF's first Chairman – makes the searing point that though authoritarians can mobilize their heavy artillery of terror, torture, imprisonment, and persecution, **they are not equipped to fight the asymmetric battle between lies and truth.**

Powered by bitcoin, Machado channels her people's truth. Venezuela will soon be free, a human rights miracle worth celebrating to tears.

Venezuelan regime change can also be an asymmetric-truth-domino – the animating spark for revolutionary excitement, heroism, and power among the powerless – that then topples the other nearby dictators in Cuba and Nicaragua. That cumulative outcome would be of immense significance to America, and that possibility has been hugely motivational to me. For American global primacy to continue, which it ***must***, this ***must*** be the Western Hemisphere's century. No authoritarians allowed in the neighborhood.

The majority of my personal philanthropy is anonymous, and it will stay that way. However, in the hope of inspiring followership[xii] at this moment of maximum-human-rights-gamma, I will share that I have long supported Alex Gladstein's work arming the only people dictators fear – human rights activists – with large quantities of Satoshi's unstoppable truth-telling weapon. Bitcoin is money dictators can't stop. I know firsthand its importance to HRF.

Asleep during Machado's *BBC News* interview, I left Oslo a few hours later, hustling back to New York to host the Stone Ridge holiday party that evening. After landing, I saw, and then listened to, a voice note attached to an encrypted message. Mouth agape, I recognized the voice immediately. With an ascendence and regality that moved me to tears by the end, here is the message in full:

"Dear Ross,

This is María Corina.

I want to thank you personally for your support of the Human Rights Foundation and all the programs that have made possible this unique moment in Oslo this week.

Because of your support I was able to move, to arrive where I needed to be and to continue to fight without interruption. You know in moments like these, logistics are the whole difference between presence and absence.

I arrived late and I didn't have a chance to thank you in person as I wanted, or to tell you about the plans we have in the time to come, but I know that we will have a chance to do that very soon. I want you to know that your personal commitment to our struggle for freedom translates directly into action.

It gives our people and people like us the ability to stand where it matters and when it matters so I am very, very grateful for your clarity of purpose, for your belief in freedom and certainly for your willingness to stand for this freedom in both practice and principle.

I will not cease in this struggle for freedom, and I certainly look forward to welcoming you and hosting you and your family in our beautiful country and a free Venezuela.

Thank you for making so much happen. I look forward to seeing you and please take very good care."

Bitcoin has a use case. Human rights treasure.

And with Machado walking among us, we need not live life devoid of feelings of awe.

A LITTLE FURTHER THAN OTHERS

In 1984 Apple, then still Apple Computer, premiered a sci-fi short film – a commercial at the Super Bowl – in which a rebellious heroine smashes a screen, symbolizing Apple breaking free from the conformity of IBM's Big Brother. Widely considered the greatest commercial of all-time for almost four decades, it established Apple's identity, paved the way for the Mac, and led to record sales.

In 2020, also at the Super Bowl, Apple was dethroned. New York Life premiered an even better commercial paving the way for the next chapter of ***its*** identity, also leading to record sales. Over the course of 60 emotional seconds, New York Life began by briefly exploring three Greek words for love (Philia, Storgē, Eros) to then focus on the fourth, Agape, or **love as an action**. The ad contained powerful scenes of care, including a ten-year-old boy lifting his little brother over a country fence en route to adventure, and a 50-year-old son lowering his frail 95-year-old father into a tub to help him bathe. The commercial anchored the firm's 175th anniversary branding of building better futures through love and financial security.

Here is the copy:[xiii]

The ancient Greeks had four words for love. The first is Philia. Philia is affection that grows from friendship. Next there's Storgē, the kind you have for a grandparent. Or a brother. Third, there's Eros, the uncontrollable urge to say, "I love you." The fourth kind of love is different. It's the most admirable. It's called Agape: **love as an action**. It takes courage, sacrifice, strength; for 175 years we've been helping people act on their love so they can look back – or ahead – and say, "We got it right. We did good."

Stone Ridge takes immense pride in working for the policyholders of New York Life, and also MassMutual, iconic American firms and our largest partners, 180-years-old and 174-years-old, respectively. Mutuals are special. They feel different inside. There is no conflict of interest between the shareholders and the policyholders because there are no shareholders. The policyholders own the firm, a wonderfully clarifying and palpable distinction. Employees stay for decades, and the top executives view themselves, appropriately and inspirationally to me, as leaders ***and*** stewards. My Stone Ridge colleagues and I run to work every day for New York Life and MassMutual. And we aspire for our little firm to be like those big guys when we grow up.

Since any company's longevity, on a long enough timescale, is entirely dependent on its ability to reinvent itself, the most underappreciated characteristic of these mutuals is their astonishing consistency of innovation. The typical firm in the S&P 500 is 58 years old, not 180. No business can do tomorrow what it did yesterday and last very long, let alone do in the next ***century*** what it did in the last.

Consider that these mutuals paid claims during the Civil War when – remember, their core product is ***life*** insurance – their policyholders were shooting each other. They paid claims after the 1906 San Francisco earthquake, decades before Hannover Re-quality earthquake seismologists could help them properly underwrite that risk. And they paid claims through the two global pandemics, twice surviving life insurers' one true tail risk.

Extraordinary financial strength, ironclad reliable claims payment, and a monumentally underrated culture of innovation = New York Life and MassMutual.

Watching these reinventing mutuals up close has also taught me that firms seeking longevity – including Stone Ridge – must, just as importantly, **decide what must *not* change**. What is our air-gapped **mission**? What are the **rituals** we dare not cease? What **routines** – the ones that make us *us* – shall we pass to new colleagues? In essence, what are we stewards of?

"In order to be irreplaceable, one must always be different."

— Coco Chanel, revolutionary fashion designer

At Stone Ridge, we innovate to prepare for an uncertain future, in pursuit of our **mission**: financial security for all. Our **rituals** are few, important, and sacrosanct. Our **routines** drive our productivity.

We work five days/week *in office* and have a "no-device" policy in *meetings*, routines that maximize exposure to the uncorrelated weirdness of our spectacular colleagues. Fiddling with a device in a meeting means you do not belong in that meeting. **Meetings should be rare, riveting, and short.** Zero is the wrong number of meetings for a firm, but it is close. A meeting-less firm with 100 employees has 4,950 potential 1:1 colleague-collisions all day long. Remove 10% of the team for an unnecessary meeting and lose 945 potential collisions. That meeting-math is especially punishing at Stone Ridge. **Our people are our moat, dug deeper per collision.**

"A lot of people never use their initiative because no one told them to."

— Banksy

Initiating collisions with insanely smart colleagues at Stone Ridge can seem intimidating at first, but you ***must*** take the initiative to ever create a map in which X marks the spot. My advice to my colleagues is the same advice I give to my 18- and 23-year-old boys. **Ask her out.** Whether "she" is a hard class, a job, a city, a beautiful woman, or a brilliant Stone Ridge colleague – just go up and talk.[xiv] And remember, Stone Ridge colleagues are insanely kind too.

At Stone Ridge, we care deeply about how we present ourselves to outsiders because we matter, and so do they. **When introducing ourselves in meetings, we mention our role and how long we have been at the firm.** "Hi, I'm Ross Stevens, the CEO, and I've been at Stone Ridge since 2012." After meetings, **we walk our guests to the elevator**, along the way sincerely thanking them for the visit. Sometimes we even take the elevator down with them so we can thank them some more. Finally, **business cards are back.** Business cards remind us we live in a tactile world, and our most tactile experiences are with other humans. Business cards also symbolize something of value – you. Our simple meeting routines honor ourselves and our firm and show proper respect to our visitors.

"Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do."

— Steve Jobs

Over the last 36 months, three Stone Ridge colleagues voluntarily left to work at another firm. Each was junior in their career and had a ten-month average tenure with us. Clearly, Stone Ridge was not for them. We, in turn, reflected on what happened in each instance and refined our recruiting process, uninterested in transience in any element of our life's work. Though Stone Ridge achieved, with plenty of room to spare, my singular KPI – less than 1%/year voluntary turnover – those three departures were exactly three too many to me. I intend to raise my game in 2026, so please tune in – same Bat-Time, same Bat-Channel – to see if I had a better year.

"I need someone to protect me from all the measures they take in order to protect me."

— Banksy

Despite the three leavers, Stone Ridge got something very important, very right at firm inception: no HR. No HR is the gift that keeps on giving because the very best people are repelled by those addicted to comfort. When new folks arrive at Stone Ridge and realize we have no HR, a lens cap lifts off their consciousness. Surrounded by elite intellectual athletes, they immediately begin their training to be one, feeling compelled to do remarkable things, utterly untethered to what they previously thought possible. We teach them business physics, but also to feel bound by nothing. I would not dare limit their leaps even one inch with even one minute of an infantilizing HR training session.

"He is no longer a dreamer. He is a creator."

— Sculptor Auguste Rodin, describing his masterpiece *The Thinker*

One of my favorite untethered Stone Ridge policies is unlimited maternity leave, which has been true since the firm began. I think of Agape. It takes care and action to properly delegate your duties to your remaining colleagues while you enjoy that magical time with your family. **In action and a bit of love**, your colleagues lock arms and step up for you so the firm does not miss a beat in your absence, the duration of which I refuse to meter. **It also takes action and a bit of love to take no action.** The awesome women of Stone Ridge know their job will be waiting for them when they get back. I sometimes wonder if that ever helps them decide to create more treasure.

"It is fun to have fun, but you have to know how."

— Philosopher The Cat, on his approach to work in his masterpiece *The Cat in the Hat*

At Stone Ridge, we relentlessly focus on growing after-tax cash flow to drive durable equity value in our operating businesses. Our progress has never resembled a straight line up and to the right, and I hope it never does. However, thinking deeply about what we know before we know, open-mindedness ***to*** – and hunger ***for*** – new data, and extremely rapid posterior updating – and ultimately **the courage to *create with conviction* when we believe it is time** – have been the hallmarks of our operating model since firm inception.

The first rule of product design at Stone Ridge is ***we build products we want for ourselves***. Stone Ridge is always the seed investor and, whenever possible – but not ***yet*** always – the largest. Consider our "no-device" policy in this context. Would you ever pull out your phone and start scrolling in the middle of a meeting with your largest investor? At Stone Ridge, we do not pull our phones out on each other.

With Stone Ridge increasingly Stone Ridge's largest investor, the scale of our profits as principals, not agents, creates a level of alignment with our outside investors we are unaware exists elsewhere. Those investors occasionally remark that this is a wonderfully clarifying and palpable distinction, and that Stone Ridge feels different inside.

Earlier this year, Stone Ridge Holdings Group (SRHG), parent company of Stone Ridge Asset Management, NYDIG, and Longtail Re, completed a significant primary equity financing led by an iconic American financial services firm – also a mutual, though this one a relatively spry 165-year-old – we are thrilled to partner with in the decades ahead.

Despite regularly ***rising*** profitability, regularly ***raising*** primary equity for our parent and affiliates – $4.6 billion and counting, and only primary, ever – has been our quiet way of strengthening our most important partnerships, playing muscular defense when the sky falls in our markets, and playing profitable post-event offense in the aftermath.

Founding 2012 SRHG investors have received 32x their original investment in distributions and now own equity valued up 178x net of those distributions, an annualized total return of 50%. Fisher took 5,954 days to find the *Atocha*. We have been at it for 4,930. Every morning, I bang our little ship's pots and pans with a smile because I know Stone Ridge will find the treasure.

Today's the day.

*****

OUR PARTNERSHIP

As we enter 2026, our tanks are filled with energy, gratitude, and inspiration. **We innovate to prepare for an uncertain future, in pursuit of our mission: financial security for all.**

Stone Ridge is most proud of the partnership we have with you, our investors. We are on the path together. You contribute the capital to propel and sustain groundbreaking product development. We contribute our collective careers' worth of experience in sourcing, structuring, execution, and risk management. Together, it works. In that spirit, I offer my deepest gratitude to you for sharing your wealth with us this year. We look forward to serving you again in 2026.

Warmly,

Ross L. Stevens
Founder, CEO

Endnotes

[i] In baseball, suppose we want to evaluate an MLB rookie's hitting ability. In the first MLB game of his career, our hitter has four at bats and gets four hits. The non-Bayesian says that because he went "four for four" and "bats a thousand," he is a perfect hitter, never gets out, and his lifetime batting average will be 1.000. The Bayesian says, "Nonsense!" In the history of baseball, no one has ever batted 1.000 for a week, let alone a career. Ty Cobb, the career recordholder, batted 0.366 and most players end up between 0.190 and 0.330. Bayesians know how to combine the excellent game the rookie had with all the statistics in the history of baseball. Before our rookie takes his first at bat, our prior knowledge says his batting average is probably in the 0.190 to 0.330 range. We then watch our hitter. He goes 4 for 4. That is our data. Combining our prior (0.190 to 0.330 expected lifetime) plus our data (4 for 4 this game), we form a posterior view. We conclude his long run batting average is likely in the range of 0.210 to 0.331. Our posterior has both shifted upward a bit, reflecting his strong performance in this first game, and shrunk in size a bit, reflecting our marginally greater certainty about where his true ability lies. However, it is only one game of data. The posterior is not too different from the prior.

[ii] Fisher's first mate Lloyd Christmas is rumored to have exclaimed, "So you're telling me there's a chance!"

[iii] PDPs (**P**roved, **D**eveloped, **P**roducing wells) are already drilled, mature wells that reliably produce gas.

[iv] It is easy to underappreciate the staggeringly remarkable state of energy engineering. Modern energy companies are technology marvels on par with Google or NVIDIA. To drill a well, imagine standing on top of seven Empire State Buildings, guiding a basketball-sized drill that far down through the ground, then turning it and proceeding for 40 New York City blocks, all to hit a target with centimeter-scale precision.

The treasure is inside the ancient rock itself, containing oil and gas. To open the rock, we pump in sand, which holds open the rock's pores. To get a sense of scale, imagine a sand pile spread across a football field, five feet high. All that sand is delivered down a two-mile hole and distributed uniformly into the formation. The sand itself must also be special – quartz or stronger – to withstand the immense, thousands-of-PSI-pressure underground, keep the fractures open, and not be crushed to dust.

This industrial-scale logistical, materials-handling, and fluid mechanics exercise also requires coordinating fleets of surface equipment, wirelessly synchronized downhole, driven by real-time data, ceaselessly attempting to be less wrong. Taken together, this technology, and our human capital, converts the unpredictable geological processes of the Earth into predictable, long-duration, bond-ladder-like cash flows. It also delivers the energy that makes it possible for you to read this letter on your laptop.

[v] We have yet to find a relevant time series with a statistically tested non-zero correlation.

[vi] This section is inspired by the incomparable work of Alex Gladstein, including elements taken with permission from his talk at the Bitcoin Policy Institute in June 2025, his essay "Why Bitcoin is Freedom Money" in the October 2025 edition of Journal of Democracy (https://www.journalofdemocracy.org/articles/why-bitcoin-is-freedom-money/), and the incomparable work of the Human Rights Foundation (HRF).

[vii] Season 13, episode 3 of South Park.

[viii] William B. Irvine lectures, *The Stoic Path*.

[ix] María Corina Machado, "Nobel Peace Prize Lecture," December 10, 2025, NobelPrize.org, https://www.nobelprize.org/prizes/peace/2025/machado/lecture/.

[x] Machado won the opposition primary with **93% of the vote**, and was subsequently, and unlawfully, barred by the Maduro regime from running in the general election. Machado's choice to replace her – a much older, largely unknown, former diplomat who the regime believed posed no threat – won the July 28, 2024 general election in what was universally considered a vote for Machado.

[xi] María Corina Machado, interview by *BBC News*, *BBC News*, video, December 11, 2025, https://www.bbc.com/news/videos/cpwkvpr7n55o.

[xii] Stone Ridge colleagues have recently joined me, and I hope readers of this letter will consider the same.

[xiii] Here is the commercial: https://adage.com/video/new-york-life-agape/.

[xiv] In editing, I learned that this concept is similar to a specific segment in a Theo Von podcast.

Standardized returns as of most recent quarter-end (9/30/2025)

	1 Year	Since Inception (8/30/2021)
Stone Ridge Energy Equity Tranches	21.0%	27.1%

Results reflect the reinvestment of dividends and other earnings and are net of fees and expenses. Performance data quoted represents past performance; past performance does not guarantee future results.

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