MONTHLY INVESTMENT COMMENTARY

A Month of Two Distinct Halves

FROM THE PORTFOLIO MANAGER

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July was a month of two distinct halves. The front half commenced with the celebration of a remarkable 250th American Independence Day and settled into a World Cup group stage that proved more engrossing on the geopolitical map than on the pitch. The second half brought renewed hostilities in the Middle East — the rockets' red glare of an older, grimmer tradition — and with it a fresh round of financial market volatility. It is getting interesting out there. We examine the defining themes below, together with Helianth's positioning for the months ahead.

America is two hundred and fifty years young. A core tenet of our investment philosophy remains that the United States is the best place to invest on the planet. Yes, there are other options, and America is an imperfect experiment. However, it has been and remains the best place to safely grow one's nest egg, for many reasons: the sheer size and liquidity of its capital markets, and a risk-reward culture that attracts talent from every corner of the Earth. America is worth celebrating. The political friction we observe today is not a sign of decline — it is a proud testament to America's enduring strength. The idea, and the ideal, of America deserves a tip of the hat.

Following up from last month's update, Spain outclassed Argentina's disciplined defensive set-up for World Cup glory in New Jersey. Americans were reminded, once again, why the one-goal game remains an acquired taste on these shores. The most compelling story from the tournament was Cape Verde — the smallest nation in the competition — which held both finalists to draws on the strength of a heroic performance from a veteran goalkeeper, an inspiration for the over-the-hill gang near and far. The world was then jolted from its summer routine by renewed warfare in the Middle East, which threw a wet blanket on the multi-month recovery in investor sentiment. The earnings season that followed has unlocked a few new concerns, and a few new opportunities.

> *"It often pays to have gray hair and diverse experience in this business. Bring it on."*

THE INVESTMENT CASE

Rates, Risk, and the Discipline of Staying Selective

We may need to talk about the Federal Reserve again. A new regime at the Fed is intent on allowing the market to sort out the hard parts on its own, after nearly twenty years of aggressive monetary policy that had effectively offloaded deep thinking about interest rates from the broader investing community. We are now back to a place where interest rate risk is squarely in play. Readers will have noticed that the Fed has been absent from these monthly updates for some time. Chairman Warsh is intent on making us work for it again. That is a healthy development, though there will be an adjustment period, as a generation of investment professionals has had limited experience with market-led interest rate risk. As the years accumulate, I have come to believe that gray hair and diverse experience pay real dividends in this business.

A somewhat predictable downdraft in AI stock valuations has claimed its first notable casualty. A prominent AI-focused fund — one that had been a celebrated beneficiary of the AI era's gains — suffered a sharp and public unwinding in the waning days of July. Over-leverage and excessive concentration, the original sins of investing, were again the culprits. Whether this proves to be the first ripple of a broader correction, or a contained wash-out of overspeculation in a single vehicle, time will tell.

Helianth has been a meaningful beneficiary of the AI era, and we remain constructively invested in many of the leading names. We are, however, positioned as conservatively as we have been in some time — a posture we have been deliberately building for most of this month. The landscape presents higher equity volatility at elevated valuations, alongside higher bond yields and their attendant rate risk. Our current exposure reflects a considered decision to accept somewhat less upside in exchange for limiting the downside. We are carrying more cash than is typical. The portfolio still holds a set of compelling securities, but weightings have been selectively reduced. As we look ahead to an autumn of election noise and a diplomatic environment that continues to produce surprises, we remain in a measured, selective mode — but positioned to act decisively when high-probability opportunities present themselves for the patient, long-term investor. Enjoy the balance of your summer, and please reach out if anything changes in your world or you have questions about your portfolio.

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