Markets Start to Embrace a New Normal

Wall Street Sends a Message; Trump Administration Listens & Course Corrects

After the flawed roll-out of Liberation Day tariffs that sent financial markets reeling, the Administration responded and reversed course. This led to a sharp 2Q rally in financial assets and restored some calm to capital markets. Despite high multiples, investor optimism was helped by assuaged fears on trade, BBB passage and specter of upcoming deregulation.

Rockingstone Performance: Solid Stock Picking Offsets Short Position

We slightly outperformed most benchmarks, despite a major short position (to protect portfolios against a tariff-induced economic downturn), due to a sharp 2Q rebound in a handful of client-held growth stocks. Non-US exposure also aided returns, driven by a falling dollar. Underweights in energy and staples helped too, as did a shift from fixed to floating rate debt in "balanced" accounts.

Post Liberation Day: Policy Reversal Reduces Uncertainty

The rally that followed the tariff policy reversal was fueled by an improved trade outlook, reduced recession fears, strong corporate earnings, stable inflation, clarity associated with the passage of BBB and hope around major US deregulation. Investors also looked to defense-led EU spending as bullish, even though geo-political concerns remain.

Implications for Portfolios

We covered our short at a loss but benefitted from a strong rebound in single stocks, including: CLS, NVDA, SPOT and TSEM. Without the hedge, performance would have been about 150-250 bps higher (depending on the benchmark). We continued to add foreign exposure (Developed Markets and Emerging Markets), small caps and trimmed into strength some tech holdings to raise cash for purchases.

S&P500 Forecast & Other Key Indicators

We forecast: EPS (2025/2026: $250/$280), S&P500 (2025 year end = 5900), GDP (+1.4%), Gold ($3400), Oil ($60), 10-yr US Bond Yield (4.5%), Inflation (2.8%), 5-yr expected CAGR (US Large Cap -2%, US Mid Cap +7%, US Small Cap +9%, Developed +1%, EM +5%).

ABOUT US

Rockingstone Advisors LLC is a boutique asset management firm started in 2009 that is co-managed by Brandt Sakakeeny and Eric Katzman, CFA.

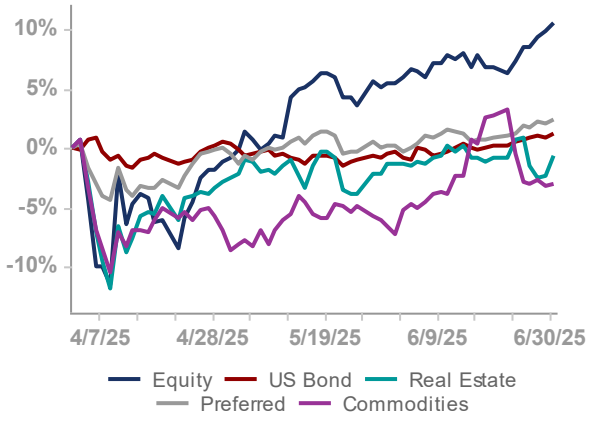
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separately managed accounts.

Our investment strategies attempt to capitalize on pricing inefficiencies across broad asset classes and then across individual securities, with a strong emphasis on fundamental research and analysis.

Investors can find more information including regulatory documents at our website:

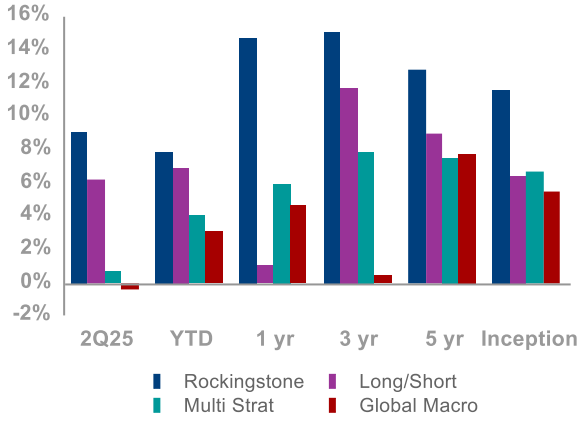
www.rockingstoneadvisors.com

Figure 1: 2Q25 Asset Class Performance[i]



Source: FactSet

Figure 2: Rockingstone: 2Q25 & Historical Annualized Returns[ii]



Source: Rockingstone Advisors, Morningstar, DJ Credit Suisse Indices, Inception = 5/30/2009

Please see our End Notes and Disclosures (pages 27-28 of this Investor Quarterly) for important information regarding performance measures. Form ADV available upon request.

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Europe: Cheap or Value Trap?

We examine the factors behind Europe's poor economic growth and lackluster equity returns to determine if the recent bounce in European shares is the beginning of a forceful reversion to the mean, or merely a dead cat bounce.

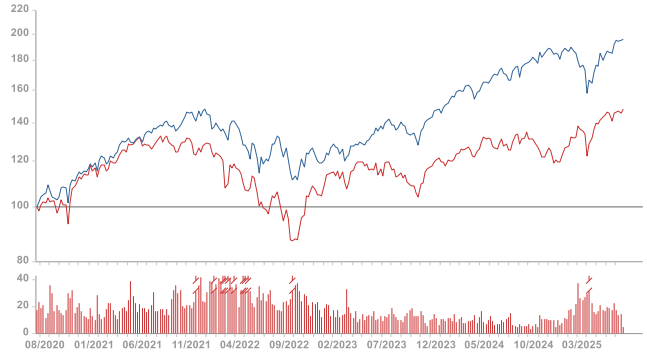
Overview

The European Union is a vitally important global economic and trade powerhouse, with the region having more than 440 million consumers, 23 million companies, GDP per capita of $47,860 and a long history through the ages of scientific achievement, political suffrage and technological innovation. Yet for almost the past two decades, the EU's economy has underperformed the economy of the US. In 2010, the size of the European economy was 10% larger than that of the US; however, by 2022 it was 23% smaller! The disparity in relative growth rates, with the Eurozone growing 6% over the last 15 years vs. the US growing at 82%, has led to a lack of wealth creation on the continent, reduced living standards and a paucity of leading global companies. The continent's top companies are underperforming their American counterparts, recording slower growth rates, lower profitability and reduced returns on invested capital.

Evidence of this economic malaise, see Figures 3 and 4, can be seen in the performance charts of European equities vs. their US counterparts. As a proxy for European equities, we have selected the Vanguard European ETF (ticker: VGK) and, as a proxy for US equities, we have selected the Vanguard equivalent of the S&P 500 (ticker: VOO).

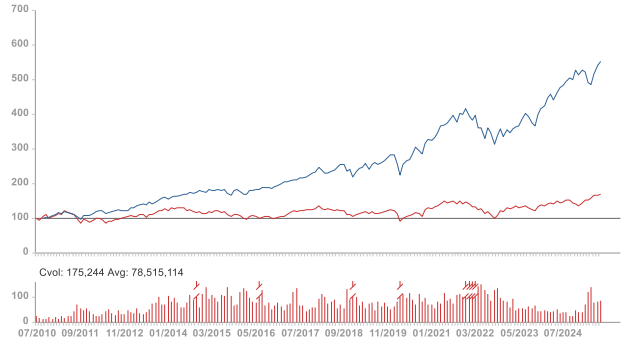
And while equity markets and the companies that comprise them are not perfect proxies of the actual underlying economies of the two regions, the stark performance gap of the indices generally reflects investor concern over the serious structural headwinds facing Europe.

Figure 3: Europe (Red) vs. US Equity (Blue) Performance, 5 years



Source: FactSet

Figure 4: Europe (Red) vs. US Equity (Blue) Performance, 15 years

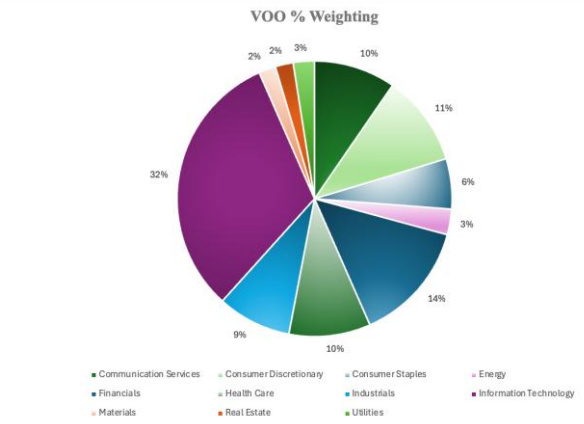


Source: FactSet

Those concerns have resulted in a re-rating of European shares vs. the US, as investors have fled European markets to seek higher returns in the US. Presently, European shares trade at just 16.8x NTM earnings while the US trades at 26.0x NTM earnings. Even adjusting for the growth differences (i.e. looking at the PEG ratio) across the two markets, US stocks trade at a substantial premium to European stocks.

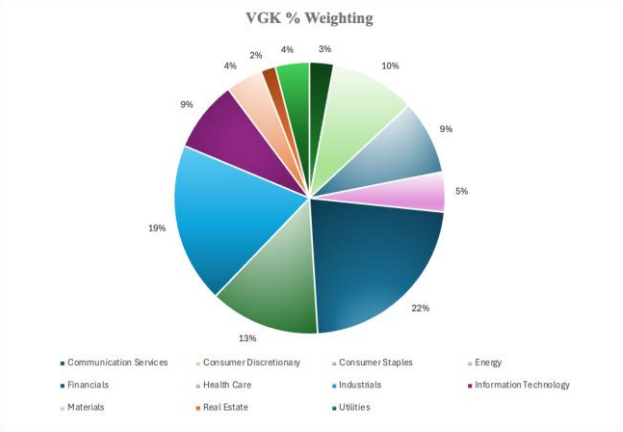
Part of this may be due to the materially different sector composition of the two indices, reflecting the huge growth and dominance of US technology firms. Indeed, technology now represents 32% of VOO vs. just 9% for VGK. Yet outside of technology, US firms still dominate in scale, global reach and financial heft, especially those companies founded within the last 50 years.

Figure 5: US Sector Composition (ticker: VOO) [iii]



Source: Vanguard.

Figure 6: EU Sector Composition (ticker: VGK)



Source: Vanguard.

The EU's lack of large technology and communication businesses no doubt accounts for much of the differential in performance and returns, given the scalable nature of the business models in those two sectors. But as the chart below indicates, the scale of European businesses and their lackluster returns on equity are clearly affecting liquidity and investor demand.

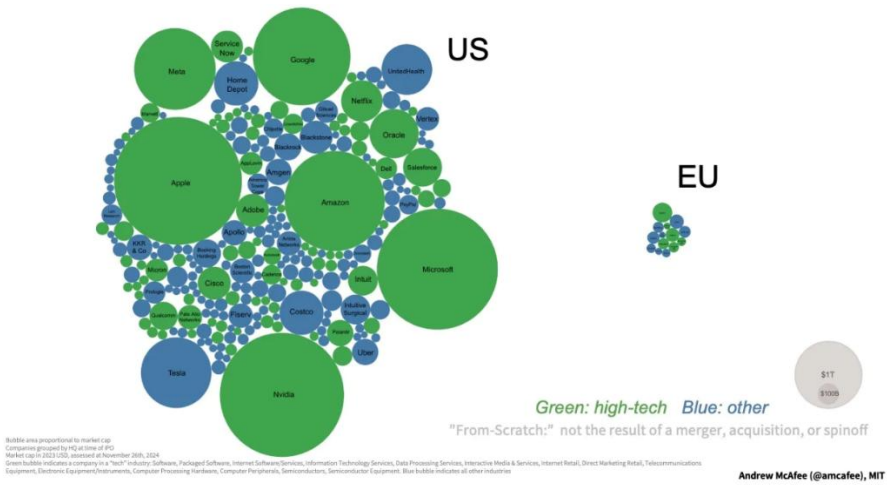
Figure 7: Europe vs. US, Key Metrics

Characteristics	VGK	VOO
Number of Stocks	1239	506
Median Market Capitalization	$60.4 B	$275.5 B
Earnings Growth Rate	14.2%	21.0%
PEG Ratio	1.18x	1.26x
P/E Ratio	16.8x	26.0x
P/B Ratio	2.0x	4.7x
Turnover rate (fiscal year-end 10/31/24)	3.4%	2.3%
ROE	12.8%	27.0%

Source: Vanguard.

In a startling statistic, there is no single European company with a market cap more than €100 billion that has been founded in the last fifty years, while all six US companies with a valuation above €1 trillion have been created within this period. In fact, according to Andrew McAfee at MIT, US companies founded in the last fifty years that are worth at least $10 billion are collectively valued at almost $30 trillion, or 70x the EU equivalent!

Figure 8: US vs. Europe, Firms Founded within the Last 50 Years in Excess of $10 billion Market Cap



Source: Andrew McAfee, MIT

The dearth of leading European companies is indicative of broader socioeconomic challenges. Without a significant number of high growth companies hiring employees and producing wealth for stakeholders, Europeans are falling behind, seeing contracting wage rates and limited wealth creation, thus becoming poorer relative to the US. Adjusted for inflation and purchasing power, wages have declined about 3% since 2019 in Germany, by 4% in Italy and Spain, and by 6% in Greece. Conversely, real wages in the US have increased about 6% over the same period, according to data from the OECD. That's because labor productivity between 2010 to 2023 grew by 22% in the US while it grew by just 5% in the Eurozone.

Reasons for Underperformance

There are several reasons behind this underperformance. Among the most serious affecting Europe are: (i) low productivity rates; (ii) poor demographics; (iii) a fragmented and complex regulatory regime; (iv) lack of growth capital and equity financing available for start-ups; (v) materially higher energy costs; (vi) geopolitical uncertainty given the Russian-Ukraine conflict and (vii) a generally more cautious, pessimistic and risk-averse citizenry.

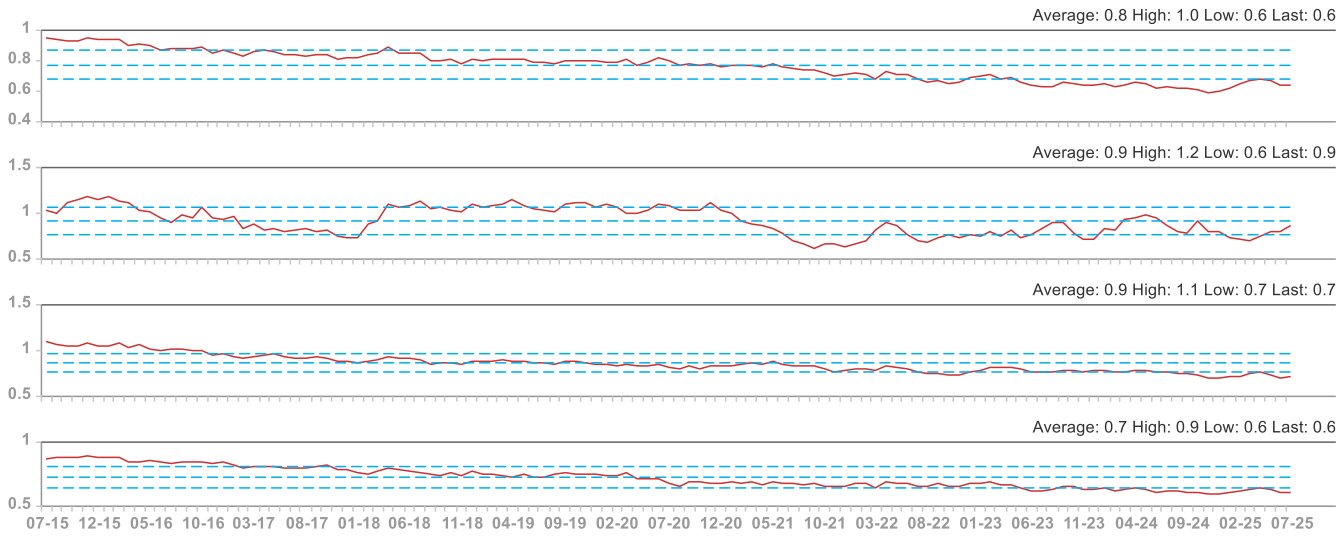
While a full examination of these issues is beyond the scope of this Quarterly Newsletter, the two key questions for investors are: (i) are these secular challenges already fully priced into European shares and (ii) does European leadership understand the scope of the competitive disadvantages and are they beginning to make meaningful policy changes to address them?

With respect to the first question, European shares are clearly inexpensive, and have been getting more so, as evidenced in Figure 9 on the next page. (NB: We substituted IEUR as the 15-year data were not available for VGK).

Valuation and Recent Performance

Valuations across every key valuation metric indicate that EU shares are still well below the US. This is despite a strong run up in VGK vs. VOO year to date. As this newsletter goes to print, we note that VGK is up around 22% in 2025 vs. just 7% for VOO. Investors familiar with fundamental research recognize that standard valuation metrics include Price to Earnings (P/E), Price to Growth (PEG), Price to Free Cash Flow (P/FCF), and Enterprise Value to EBITDA (EV/EBITDA).

Figure 9: Relative Value (PE, PEG, P/FCF & EV/EBITDA), Europe vs. US, 10 Years



Source: Rockingstone Advisors

Rockingstone's approach is to examine the long-term mean and standard deviations from the mean to decide whether a particular metric signals an asset is possibly expensive or inexpensive. We highlight that regardless of the valuation metric used, VGK multiples are well below those of VOO, and despite YTD outperformance of VGK, remain well below historical averages.

EU Policy Initiatives: The Needed Catalyst for Change?

With respect to the second question, it appears that European policy makers are finally beginning to address some of the factors behind the region's poor performance, including the costly regulatory environment. The gap between US and European companies has simply become too large to ignore. Recently the European Parliament voted to delay the implementation of the Corporate Social Responsibility Directive (CSRD), simplifying reporting standards, delaying by several years reporting dates and reducing the number of companies that must file. In addition, the European Commission has proposed an omnibus bill that would impose drastic reductions in the scope of climate regulation going forward. The new legislation would require companies with more than 1,000 employees to file reports, thereby reducing the number subject to compliance rules by 40,000.

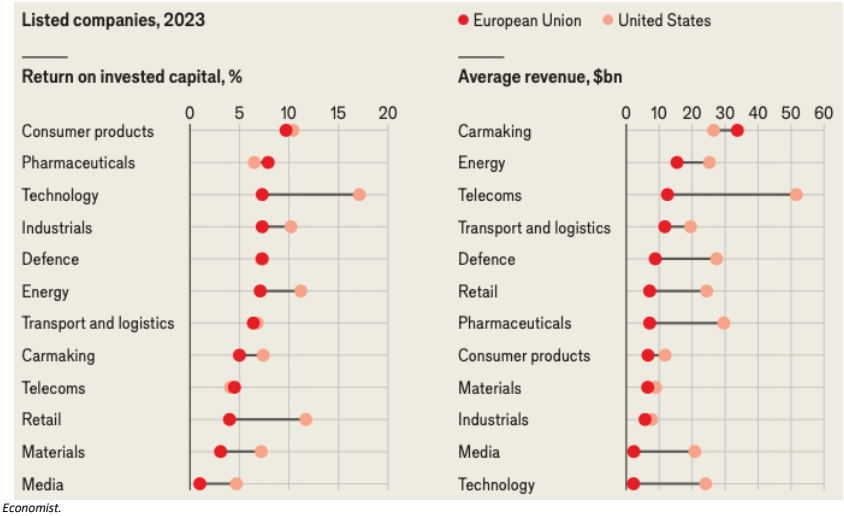
While this is a start, we believe investors want to see Europe continue to address its excessive regulatory burdens and ideally change its tax laws to better incentivize businesses to invest more in R&D and adopt innovative technologies in the workplace. Germany's share of global R&D investment fell from 8% to 2%, while France's from 6% to 2% from 2005 to 2019. In fact, private R&D spending in Europe is roughly half that of the US. The key goal would be to dramatically improve European productivity, which would allow the EU GDP rate to accelerate and coincidentally aid wage growth. These investments are critical as advanced economies face transformative technologies such as AI, self-driving cars and modular nuclear energy.

Given that European shares appear relatively cheap compared to the US and European policy makers seem to be addressing at least a few of the factors that are driving lower revenue growth rates, lower productivity and lower returns of European companies, the next question is: what are the specific European firms that offer attractive returns for investors?

Comparing US and EU Industry Sectors

Based on the following table, it is clear US technology firms offer investors a lot more scale and materially higher returns than their European counterparts. But there are some areas of the European market that may be comparable, if not superior, to their US counterparts. From a ROIC perspective, consumer products (including luxury goods), defense, transportation & logistics, telecoms and pharmaceuticals are five industries in which European listed companies are generally competitive with their US counterparts.

Figure 10: US Companies vs. European Companies, ROIC and Average Revenue



Source: The Economist.

From a revenue scale perspective, autos, transport and logistics, consumer products, materials and industrials are five industries in which European firms offer scale that is close to— or like— US firms. We believe investors ought to focus on these sectors to find relatively attractive European assets.

Client Portfolios

At Rockingstone, each client has a specific benchmark that is used as a guide for asset allocation. We detail our investment approach and go into a deep analysis of performance by strategy in every 4Q newsletter. But as a reminder, we believe diversified portfolios that use a combination of ETFs complemented by individual stocks can generate positive risk adjusted returns over the long term. We also believe that while markets are highly efficient, flexibility in styles (i.e. value vs. growth, US vs. international, long vs. short) is critical.

Apart from our "Best Ideas" portfolio, which is benchmarked against the US-focused S&P 500 Index, our remaining benchmarks have clear weightings to Europe and / or the flexibility to add non-US exposure. Even in the case of our "Best Ideas" portfolios, we have taken the risk (i.e. going outside the benchmark constraint…although this is done infrequently) of adding non-US companies when seeing particularly attractive opportunities.

In general, our benchmark weightings point to roughly 15-20% exposure to Europe. For many years, client portfolios were significantly underweight European shares, but in late 2024 and early 2025 we started to increase exposure through both ETFs and individual stocks. Again, individual client portfolios can vary, but by the spring of 2025, most clients were at or close to their European benchmark weightings.

We have invested in several ETFs to gain specific exposure to the EU. These include a broad-based ETF such as Vanguard's VGK, a "value" oriented ETF (ticker: EFV), as well as an ETF that has a "quality factor bias" (ticker: IQLT). In terms of specific names, we own Spotify SA (ticker: SPOT) as we believe it is the dominant online music streaming company, with significant pricing power, rapid growth and a large addressable market. We also have exposure to the EU via Booking.com (ticker: BKNG), which is a Netherlands-based company that leads online reservations for consumer vacations and travel itineraries. Due to US-based Boeing's numerous issues, in select accounts clients own Netherlands-based Airbus SE (ticker: EADSY) and Paris-based Safran SA (ticker: SAFRA). Another European industrial holding is Constellium (ticker: CSTM), a Paris-based aluminum processor which is a beneficiary of growth in lighter weight automobiles, in aerospace and less cyclical canning product line. We also own Linde (ticker: LIN), a leader in industrial gasses.

One area where Europe dominates global commerce is via luxury goods, whether in clothing, watches, jewelry, or handbags. Brands such as LVMH, Hermes, Dior, and Richemont are leading global players with only modest competition. Yet by their very nature, luxury goods are affordable to only a small percentage of consumers and are highly discretionary. This is in obvious contrast to sectors and industries the US dominates, such as technology and communications. Hence, luxury goods companies generally are unable to leverage their brand equity and significant profitability in a way that drives total EU market capitalization. But with limited exposure to retail in general— and no exposure to luxury goods in particular— we are considering an investment in the industry as another means of playing mean-reverting valuations across European stocks, as well as a sector that could benefit from a rebound in consumer spending in China and the EU.

** The authors would like to thank Molly Farrell for her research and help with this quarterly newsletter.*

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Key Metric Forecast

Rockingstone's Expectations for Key Economic & Financial Series

Policy volatility—whether driven by tariffs, military conflict or domestic regulation—has made for a challenging backdrop in which to predict economic outcomes. Nevertheless, we have adjusted our 2025 and 2026 outlook that now incorporates our expectation of firming economic growth in the US as the Administration distances itself from the Liberation Day fiasco. The economic outlook for other key global countries or regions such as China, Japan and the EU remain mixed and it remains to be seen how those governments will react to numerous US policy changes.

Figure 11: Key Metric Forecast, 2025 and 2026

	Year End December	
Metric	Band	Point
US Real GDP (2025)	+1.0% to +2.0%	1.4%
S&P 500 2025 EPS (RSA/Street)	NA	$250 / $255
S&P 500 2026 EPS (RSA/Street)	NA	$280 / $295
S&P 500 2025 Index	5500 - 6000	5900
10-Yr US Treasury Yield	4.2% - 4.7%	4.5%
Oil (WTI-2025 End)	$55 - $65	$60
Gold (2025 End)	$3,100 - $3,500	$3,400
Inflation (PCE - NTM)	+2.5% to +3.0%	2.8%

Source: Rockingstone Advisors

A few observations and comments:

1. S&P 500 2025 / 2026 EPS. As a reminder, "operating" EPS in 2024 were $233. We started this year with a more cautious view on earnings and that view has prevailed across Wall Street as consensus expectations have moderated (from as high as $271) and been lowered to a level closer to our original estimate. Taking the current mid-point between our forecast of $250 and consensus ($255) suggests 8% EPS growth. We remind investors that a tough 4Q comparison remains, although it seems that despite policy tariff volatility, companies are so far navigating 2025 reasonably well. For next year, we expect similar growth of about 8%, which points to EPS of $280. We note consensus expectations are for much stronger growth of close to 16% in 2026.

2. S&P 500 2025 Year-end Index Price. During the depths of the Liberation Day market disintermediation, we published our 2025 year-end S&P 500 Index target of 4950. As noted earlier in this newsletter, disruption in the key US bond market forced the Trump Administration to reverse course. A major reason for our initial cut in the S&P 500 target was the expectation that corporate earnings would be hit significantly. With the policy reversal / delays, along with evidence that both US and non-US companies are adapting to policy volatility, we raised our 2025 EPS target, which now helps us justify a 5900 year-end outlook. Yet our asset return forecast (see next section) continues to suggest caution, particularly if valuation multiples mean revert to their long-term average levels.

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Five Year Asset Value Forecast[iv]

Long Term Return Outlook

Our main assumptions regarding capital markets are that asset values mean-revert (with respect to margins and P/E multiples) over time. We analyze equities using four variables, including: (i) historical sales growth, (ii) corporate profit margins, (iii) dividend yields, and (iv) valuation to determine potential long-term returns. Using valuation as an example, P/Es should theoretically decline (if currently above the historical mean) or expand (if currently below the historical mean) over the long term.

Within our outlook for total returns, we expect the "give" of sales growth, valuation (sometimes) and dividends to be partly offset by the "take" of mean-reverting margins. We expect sales growth to be relatively close to long-term average performance.

Just a few months ago we saw reasonable long-term return potential in every index except the S&P 500. Presently, most calculations now suggest slightly better upside in US indices (excluding the tech dominated S&P 500) vs. non-US developed markets (where performance has excelled YTD 2025).

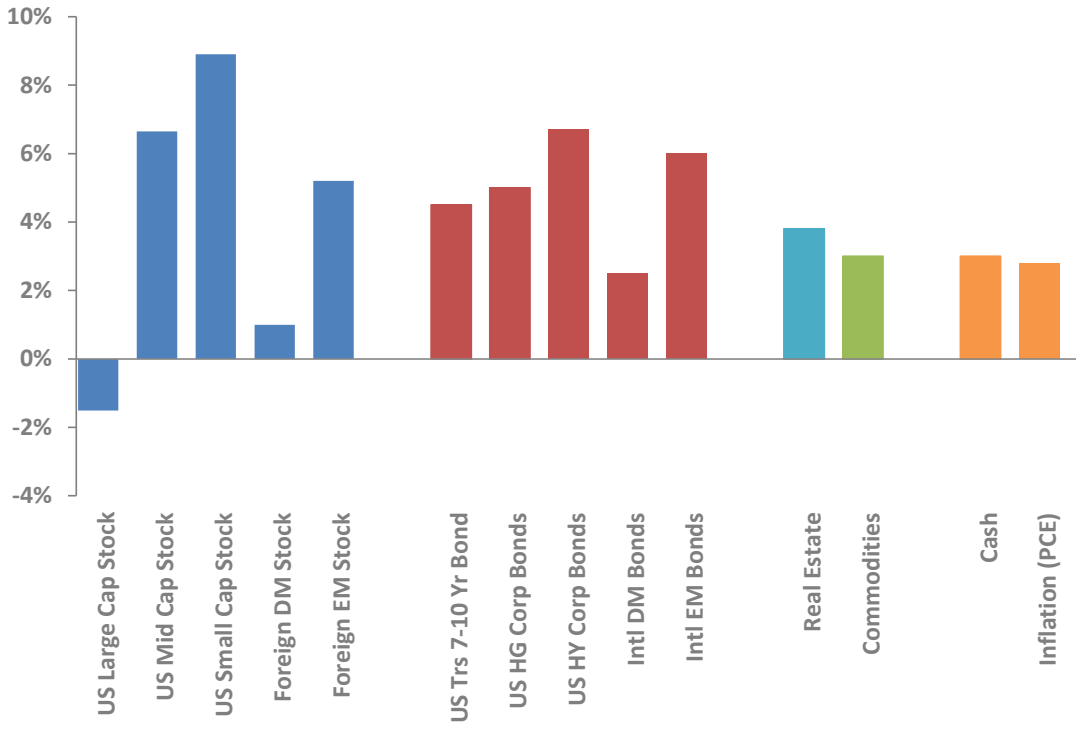
Figure 12: Five-Year Total Equity Return Calculations (Incremental Contribution)

Asset	Index	LT Exp. Return		Sales		Profit Margin		Div.Yield		Valuation
US Large Cap Stock	S&P500	-1.5%	=	5.2%	-	2.0%	+	1.6%	-	6.3%
US S&P Equal Weight	RSP	5.7%	=	3.9%	+	0.1%	+	2.4%	-	0.7%
US Mid Cap Stock	S&P400	6.7%	=	5.0%	-	0.8%	+	2.3%	+	0.1%
US Small Cap Stock	S&P600	8.9%	=	5.4%	+	1.8%	+	3.2%	-	1.5%
Foreign DM Stock	MSCI-EAFE	1.0%	=	1.8%	-	3.1%	+	3.3%	-	1.0%
Foreign EM Stock	MSCI-EM	5.2%	=	5.7%	-	1.7%	+	3.1%	-	1.9%

Source: Rockingstone Advisors

In fixed income (see the next page for various assumptions), we see the income generated from coupons adding to returns vs modest impact from a change in rates or spreads. Investors seem to expect 1-2 cuts in short term rates by the FOMC as inflation has moderated a bit. Meanwhile the consensus view that BBB only added to US debt / deficits has kept long term rates, including the 10-year bond, around 4.5%. Spread products, such as corporate and high yield bonds, are relatively narrow, suggesting faith these private fixed income obligations are relatively secure in comparison to the risk free rate!

Figure 13: Five-Year Asset Class Total Return Forecast



Source: Rockingstone Advisors

Perhaps of most importance, our forecast for fixed income returns (or other assets for that matter) has not assumed a major move away from US government securities as the global standard for risk-free rates. Dislocation in the Treasury market— exhibited by rising yields and scarce liquidity— apparently was the catalyst for the Administration to delay by 90 days implementation of the Liberation Day tariffs.

We believe fixed income investors (colloquially referred to as "bond vigilantes") may keep Administration policy from moving too far and too fast. Yet it would be imprudent of us not to mention the risk associated with all asset prices should US government fixed income prices start to reflect both inflation fears and concerns around the long-held risk-free status, especially given where US debt levels are as Congress passes into law the BBB bill.

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Equity Performance Review

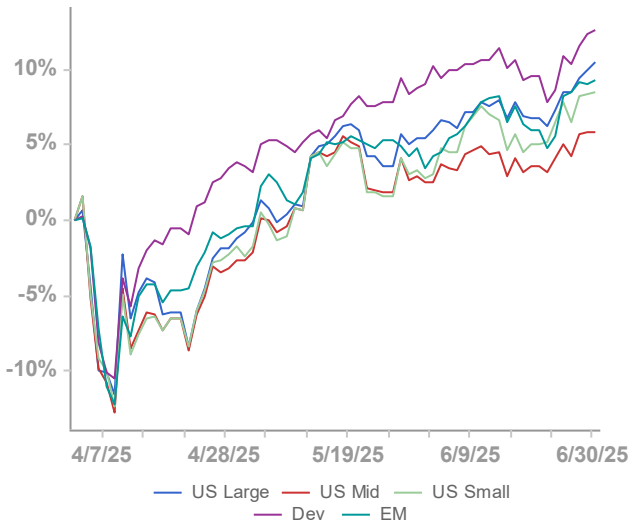
A Tough Start but Strong Finish to Global Equities

Global equity markets tumbled on the day after Liberation Day and continued a multi-day sell-off as surprisingly high tariffs were rolled out with immediate effect, giving businesses and consumers little time to adjust their supply chains or purchasing habits. Roiling equity markets bled into other financial markets, including US Treasuries, which witnessed a massive sell-off on concerns that higher tariffs would generate higher inflation and erode the value of fixed income instruments. FX markets were also volatile, with the dollar recording its sharpest losses in recent memory.

While the decline in equity markets led to calls (from Investor Bill Ackman in particular) to postpone the tariffs by 90 days, it was the dislocation in the US Treasury market that forced the Administration's hands and the policy was delayed by 90 days while its primary author, Peter Navarro, was temporarily sidelined. Immediately following the announcement on social media of a temporary delay in the tariffs, stocks rallied and continued to rally through the quarter. While the initial rally was primarily one of relief, as 2Q25 progressed, first quarter corporate earnings reported in mid- to late-April were solid, especially in technology, while inflation reports remained inline to slightly below expectations, helping to alleviate concerns of weak earnings and higher inflation.

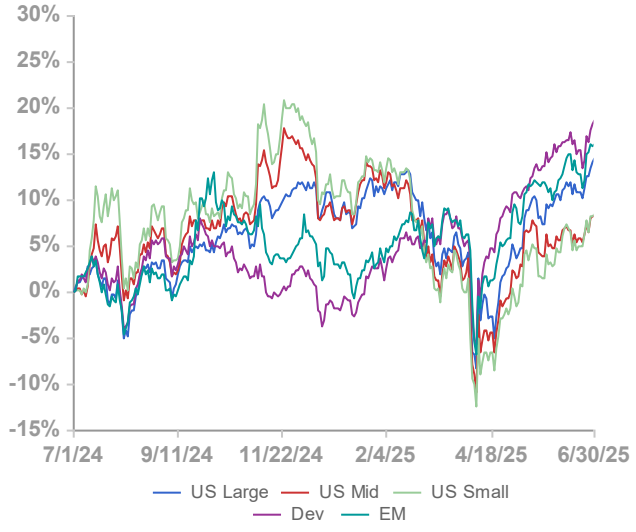
Despite the tariff policy reversal, the dollar continued to weaken, helping to foster the rally in Non-US Developed Market shares, which topped all other equity indices, rising more than 12%, followed by the S&P's 10%. US small and mid-caps lagged slightly. Notably, "growth" stocks outperformed "value" stocks in 2Q, which was a sharp reversal from 1Q: Vanguard Growth (VUG) gained 17.3% while Vanguard Value (VTV) gained just 3.1%. Year to date, "growth" returns have slightly edged out "value", 7.0% to 5.6%.

Figure 14: 2Q25 Equity Performance [v]



Source: FactSet

Figure 14: 12M25 Equity Performance



Source: FactSet

Fixed Income Performance Review

Same Story in the Bond Market

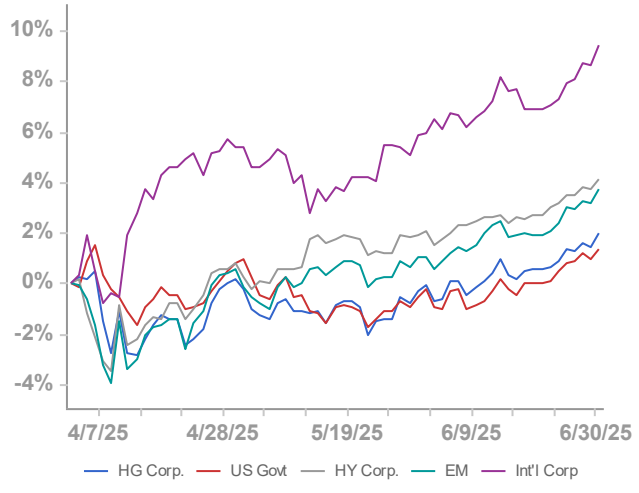
Like equities, the bond market witnessed material dislocation following the Liberation Day tariffs. Because tariffs act as a tax, they (typically) raise the cost of producing a good, leading to growth in the price level, or inflation. How much of a tariff is absorbed by the producer vs. the consumer is open to debate, but the reality is that part of the cost is passed to consumers in a one-time price hike. That one-time increase in prices flows through the inflation data as higher costs, albeit non-recurring. For that reason, fixed income instruments sold off following the tariff announcement. Critically, the reaction became so severe within the US Treasury market that the Administration was forced to reverse policy, leading to a rebound in prices and lower yields.

Meanwhile, International Developed bonds were the strongest performer in the quarter (+9.4%), aided by a weaker dollar. Emerging Markets bonds had a great quarter too, rising more than 3%, while US high yield bonds rose 3.5%. US high grade corporates rose just 1.5% while Treasuries (7-10 years) were up just 1%. Spreads widened initially and then narrowed as the quarter progressed.

Although inflation has remained slightly higher than the Fed's 2% long-term target, investors were relieved by the tariff policy changes and seem to agree that like the Fed, any price pressure related to tariffs should be relatively short-lived and non-recurring in nature. In addition recall that on March 19th, the Fed announced it would reduce the monthly cap of Treasuries that are allowed to mature and not be replaced from $25 billion per month to $5 billion per month effective April 1, thereby slowing its balance sheet run-off.

We focus on the following performance numbers for 2Q25 and 12M25, respectively: US High Grades (+1.6% and +7.5%), US Governments (+1.0% and +6.9%), US High Yield (+3.5% and +10.1%), Intl Developed (+9.5% and +13.1%), Emerging Markets (+3.3% and +10.9%).

Figure 16: 2Q25 Fixed Income Performance[vi]



Source: FactSet

Figure 17: 12M25 Fixed Income Performance

Source: FactSet

Commodity Performance Review

Precious Metals Rise Sharply; Energy and Ag Decline on War and Tariffs

Commodities are the asset class perhaps most directly affected by tariffs. Metals and agricultural commodities, in particular, are traded globally and subject to tariff and non-tariff trade barriers. Moreover, economically sensitive commodities, such as industrial metals and energy have additional exposure in the case higher tariffs slow economic activity. While most commodities react negatively to tariffs, the risk of inflation or the risk of an economic slowdown, gold prices tend to react positively to a higher risk of inflation.

For this reason, Gold was the star performer across the commodity complex, rising more than 6% during the quarter and posting a YTD return of more than 25%. Silver also rallied along with gold, +7% and 25%, respectively. Energy declined 8% during the quarter, though part of this decline may have been tariff-fueled concerns about economic activity. The primary driver of oil prices during the period was the brief and so far relatively contained war between Israel and the US on one side and Iran on the other. Agricultural commodities declined 3% in the quarter.

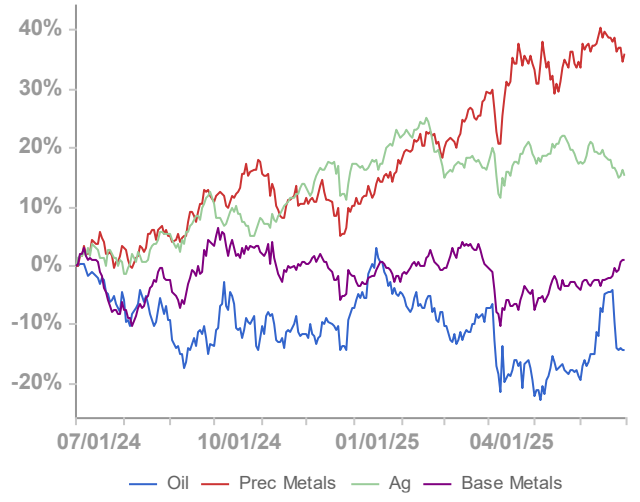
As noted in the past, we emphasize investors should normally expect greater volatility in commodity prices relative to equities or bonds. This is because unlike stocks and bonds, commodities do not generate a stream of cash flows that can be discounted back to present value. Commodities are also frequently susceptible to sudden supply and demand shocks impacting their price. Lastly, because commodities are most often priced in $US and traded globally, they are considered a store of value, especially if the dollar declines.

We typically invest in commodities via ETFs and the below graphs display what we view as representative performance for the underlying commodities. We highlight the following returns during the 2Q25 and 12M25, respectively: Oil (-7.8% and -14.0%), Precious Metals (+5.3% and +35.1%), Agriculture (-2.9% and +15.3%), Base Metals (+1.7% and +0.8%).

Figure 18: 2Q25 Commodity Performance[vii]

Source: FactSet

Figure 19: 12M25 Commodity Performance



Source: FactSet

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Digital Asset Performance Review

Digital Assets Rise Sharply on Dollar Debasement and Inflation Concern

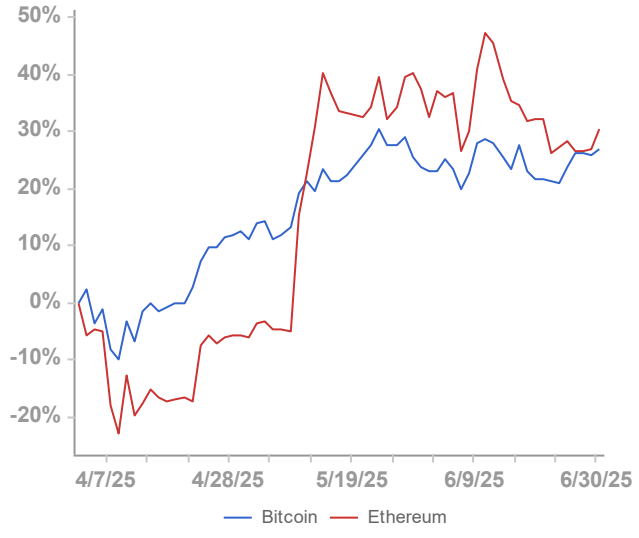
Digital assets jumped in 2024 and continued their rally into 1H25. Bitcoin, the major crypto currency, increased in value starting in mid-2024 and seemed to serve as a proxy for the political outcome, perhaps in part due to the Republican party's interest in digital assets becoming a more accepted part of the economy.

We remind investors that our approach with digital assets is to take a passive approach (i.e. a portfolio reflects the asset value percentages for key currencies), recommending a 1-2% weighting relative to net worth. This recommendation is based on our view that digital assets are an emerging asset class that may prove to be uncorrelated with other assets.

Yet in the 2Q25, we note digital assets as represented by Bitcoin (BTC) and Etherium (ETH) essentially performed as a high beta tech investment and trailed another "store of value" such as gold on a risk adjusted basis. On the other hand, we do note that volatility of bitcoin has declined relative to gold over time.

We note the following performance regarding 2Q25 and 12M25, respectively, results: Bitcoin (+26.8% and +69.9%) and Ethereum (+30.5% and -27.6%).

Figure 20: 2Q25 Digital Asset Performance [viii]



Source: FactSet

Figure 21: 12M25 Digital Asset Performance

Source: FactSet

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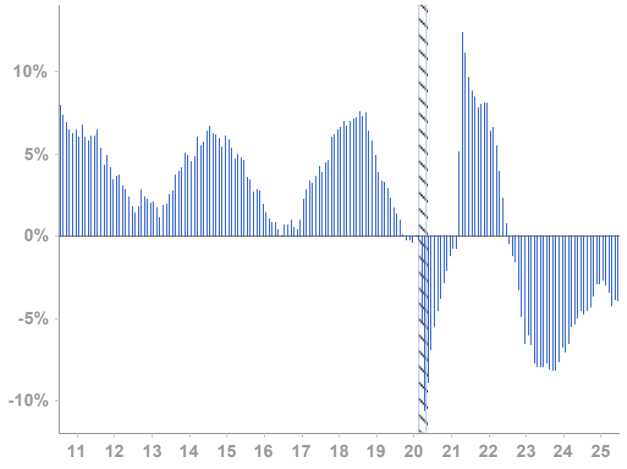
Chart Book

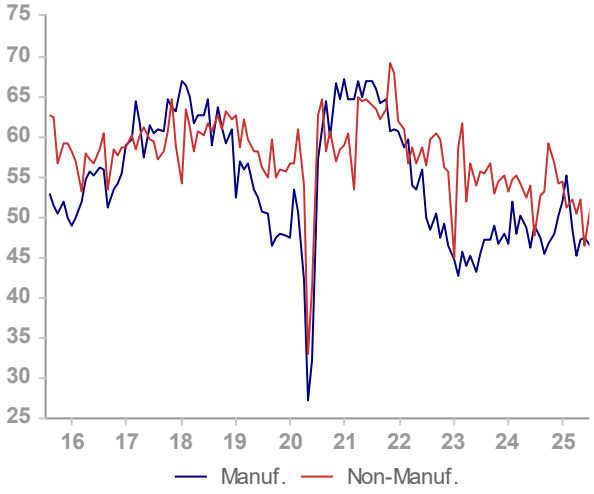
Leading Indicators

Figure 22: Index of Leading Economic Indicators



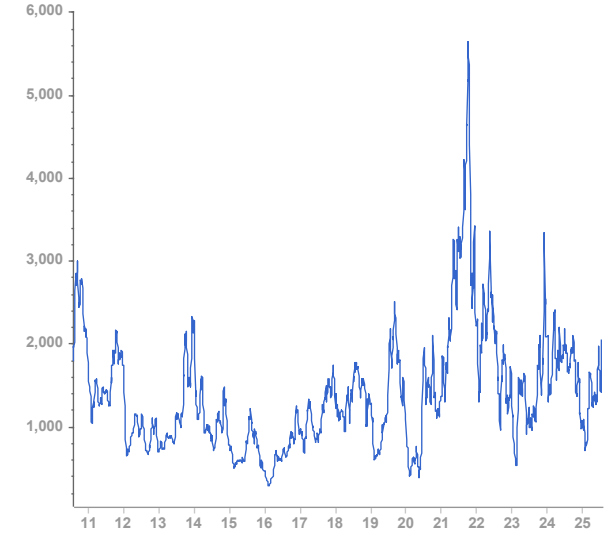
Source: FactSet

Figure 23: ISM New Orders



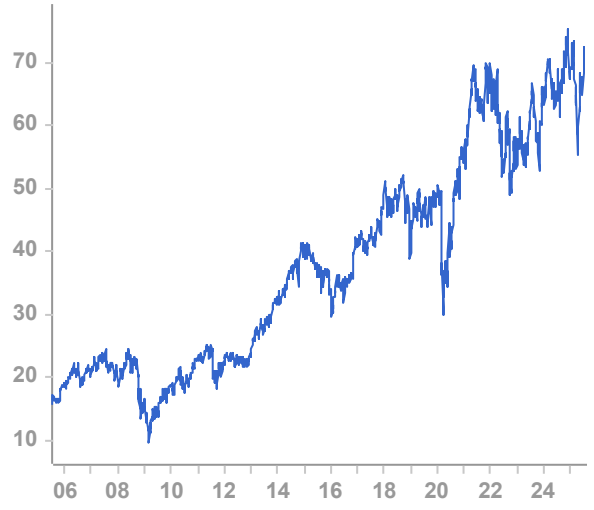
Source: St. Louis Federal Reserve, FRED Database

Figure 24: Baltic Freight Index



Source: FactSet

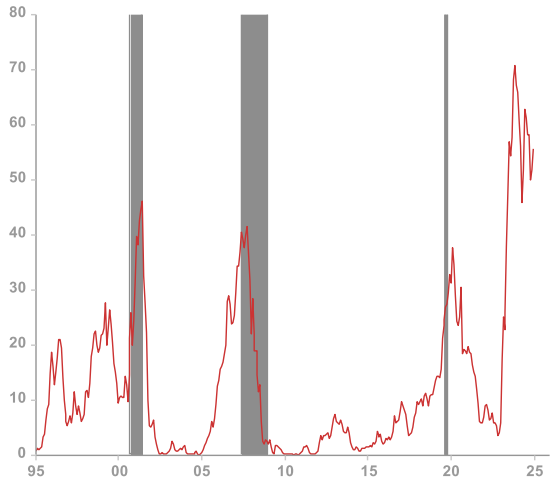
Figure 25: DJ Transports



Source: FactSet

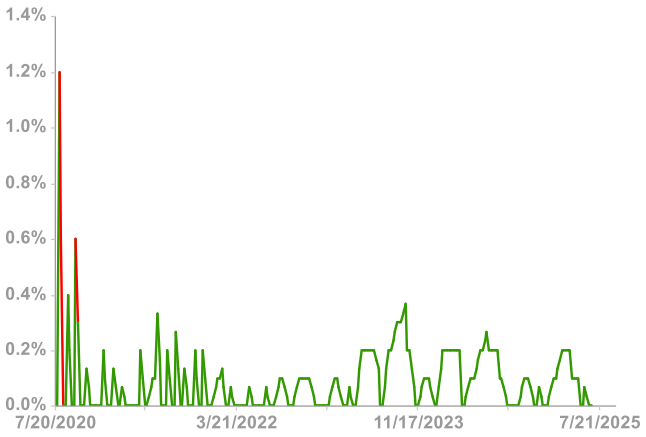
Real-time Recession Risk Indicators

Figure 26: Treasury Spread Recession Predictor



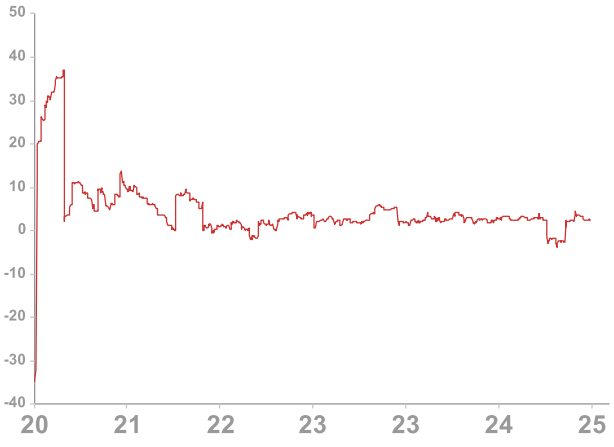
Source: FactSet, FRED Database

Figure 27: Sahm Real-time Recession Predictor



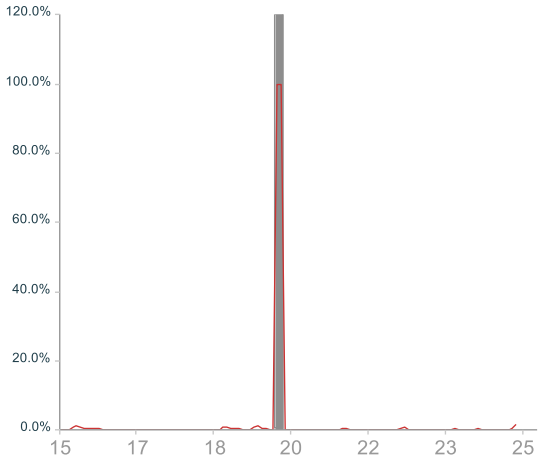
Source: St. Louis Federal Reserve, FRED Database

Figure 28: GDP Now (Atlanta Fed)



Source: FactSet; FRED Database

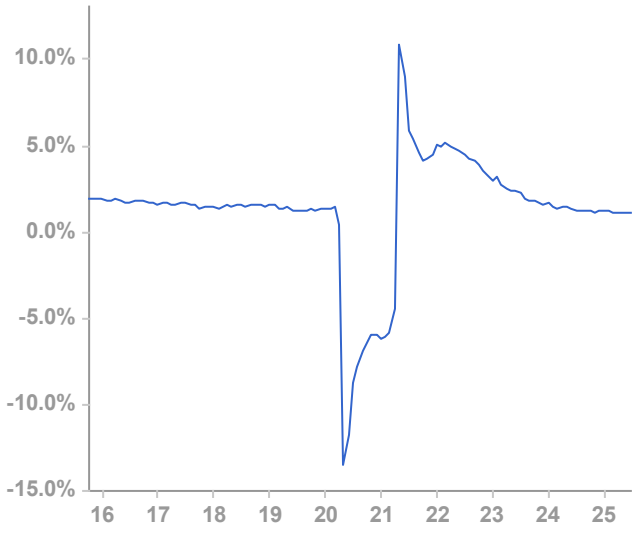
Figure 29: Smoothed US Recession Probabilities



Source: FactSet; FRED Database

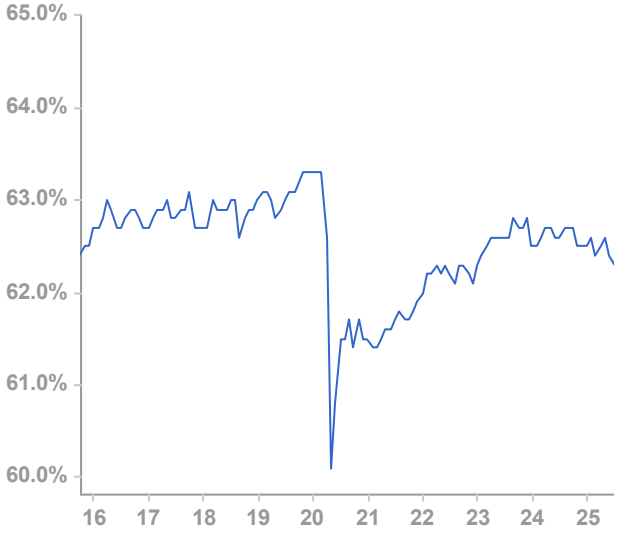
Labor Market Indicators

Figure 30: Payroll Growth (Establishment Survey, % Chg YoY)



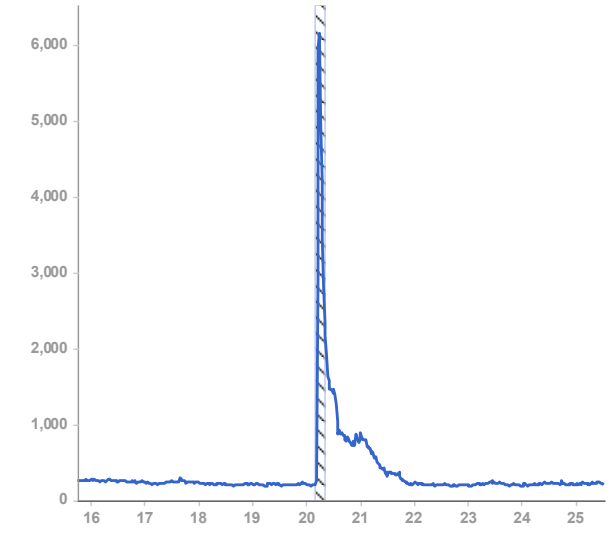
Source: FactSet

Figure 31: Labor Participation Rate (% of Workforce)



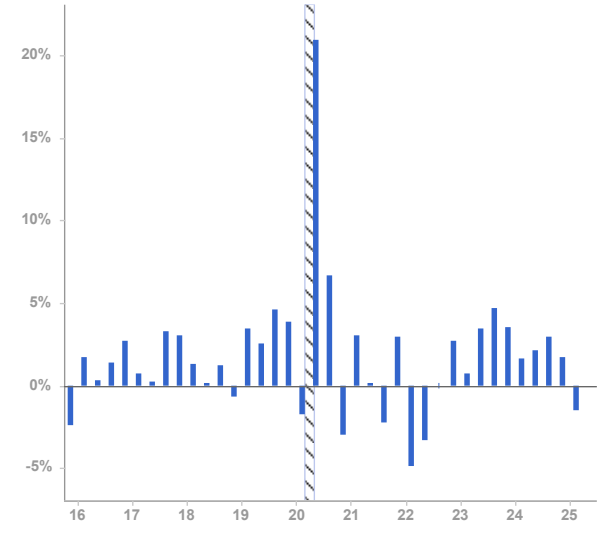
Source: FactSet

Figure 32: Initial Unemployment Claims



Source: FactSet

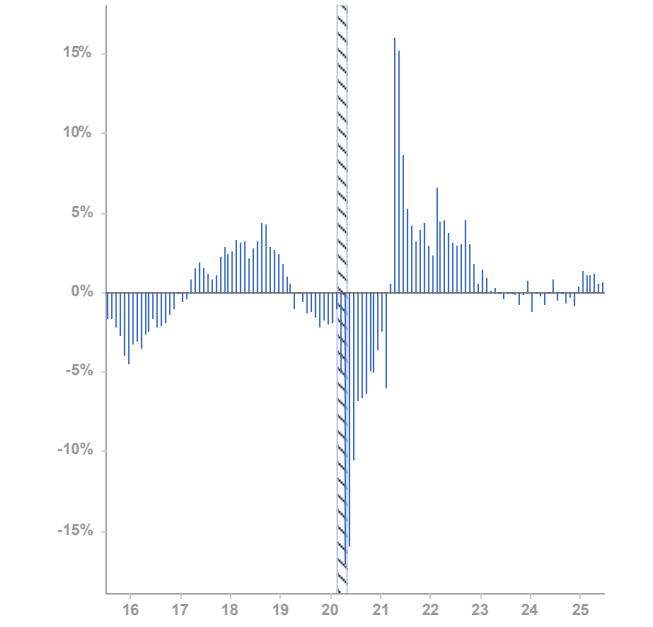
Figure 33: Non-Farm Productivity (% Chg YoY)



Source: FactSet

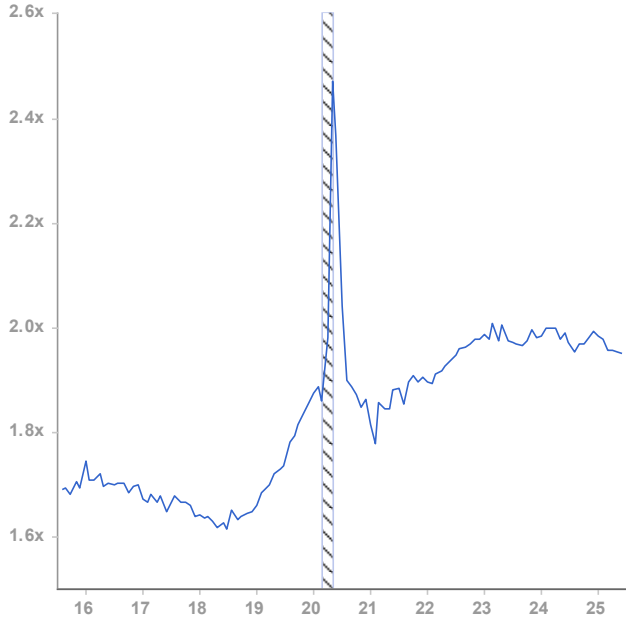
Production and Business Activity Indicators

Figure 34: Industrial Production (% Chg YoY)



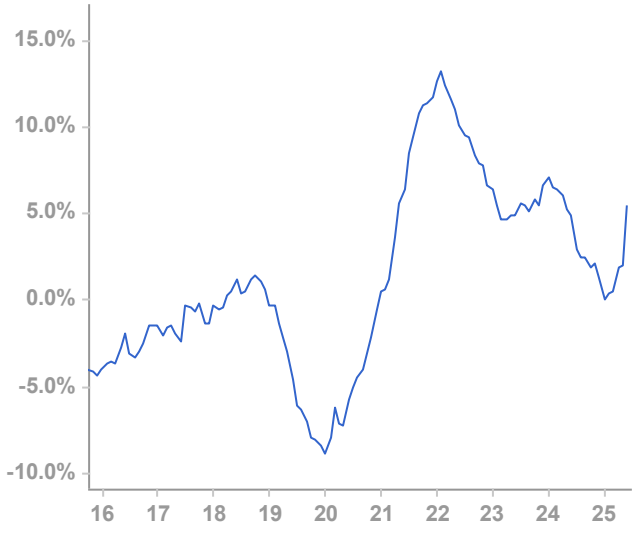
Source: FactSet

Figure 35: US Inventory to Shipment Ratio



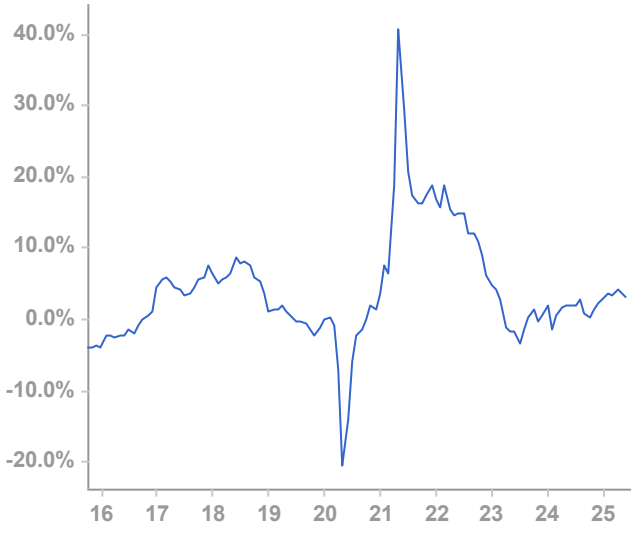
Source: FactSet

Figure 36: Unfilled Orders (% Chg. YoY)



Source: FactSet

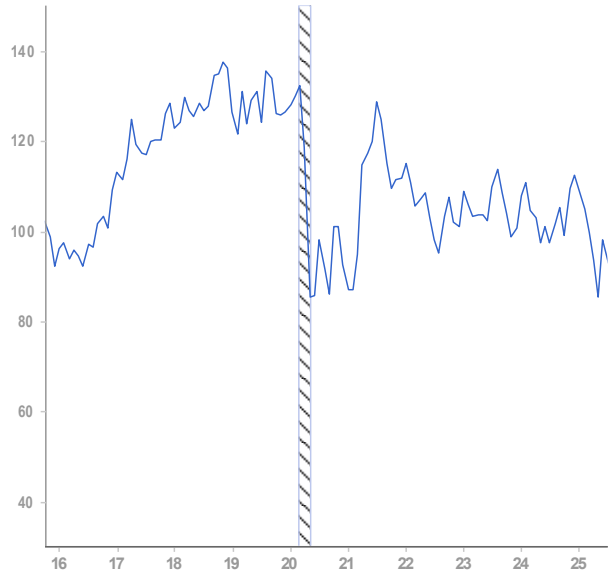
Figure 37: Business Sales (% Chg. YoY)



Source: FactSet

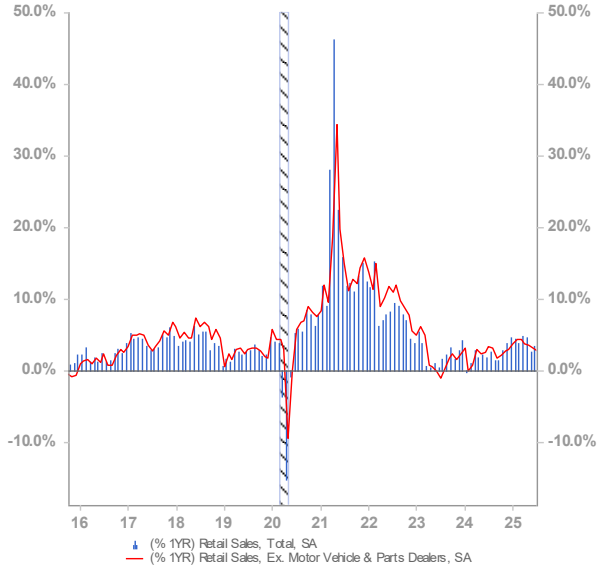
Consumer and Household Activity Indicators

Figure 38: University of Michigan Consumer Sentiment



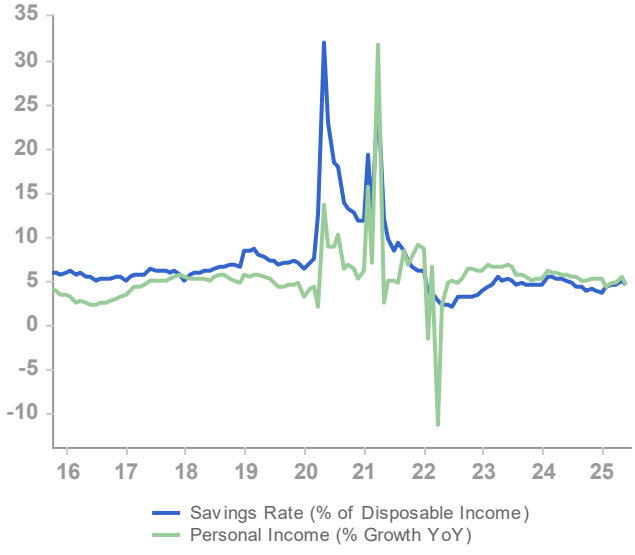
Source: FactSet

Figure 39: Retail Sales



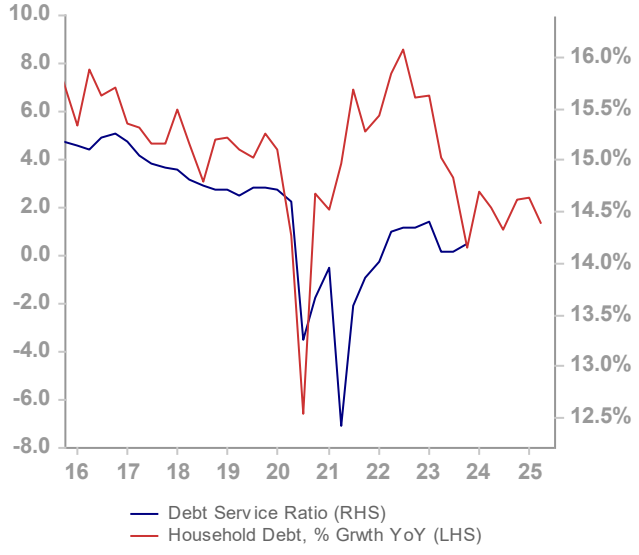
Source: FactSet

Figure 40: Personal Income and Savings Rate



Source: FactSet

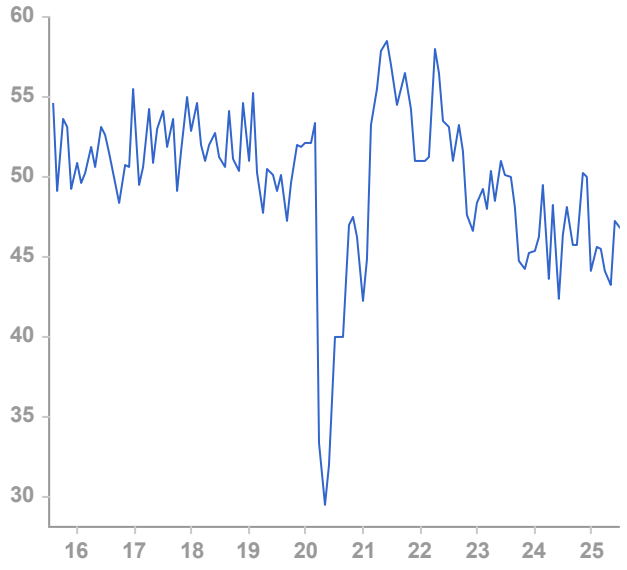
Figure 41: Household Debt



Source: FactSet

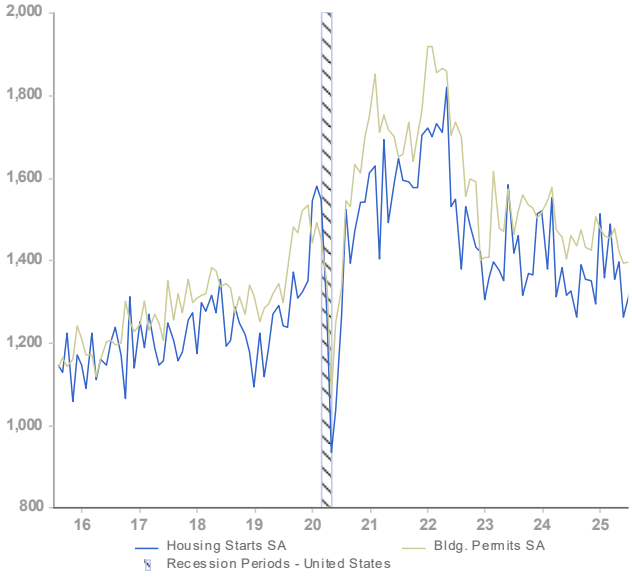
Housing and Construction Indicators

Figure 42: Architecture Billings Index



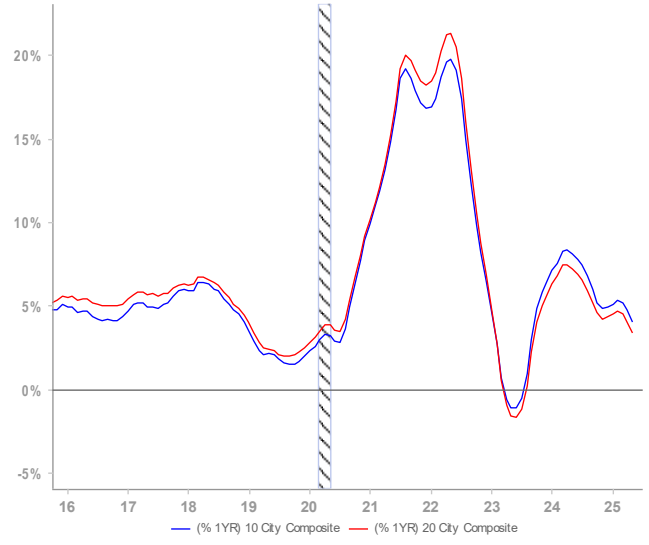
Source: FactSet

Figure 43: Housing Starts and Building Permits



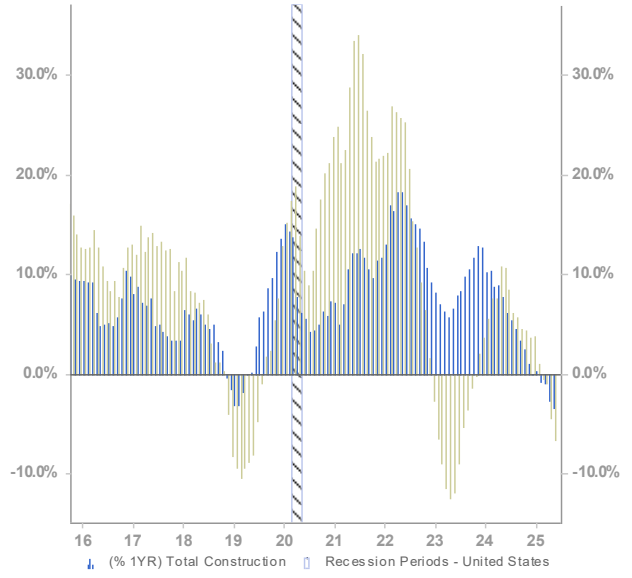
Source: FactSet

Figure 44: Case-Shiller 20-City & 10-City Index, % Chg YoY



Source: FactSet

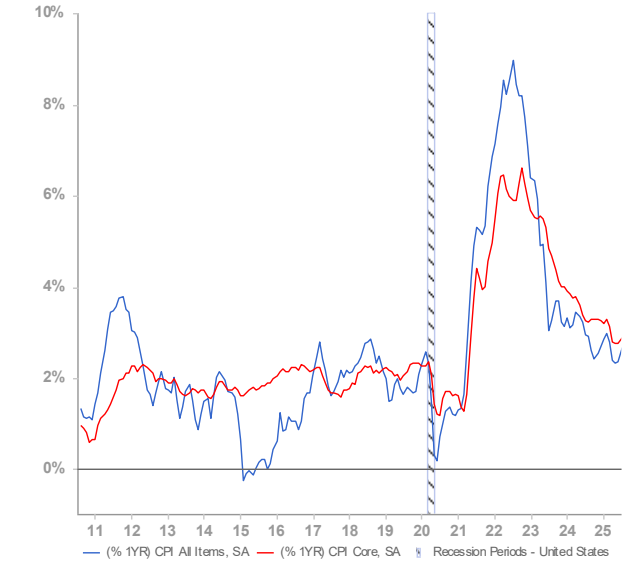
Figure 45: Private and Total Construction (% Chg YoY)



Source: FactSet

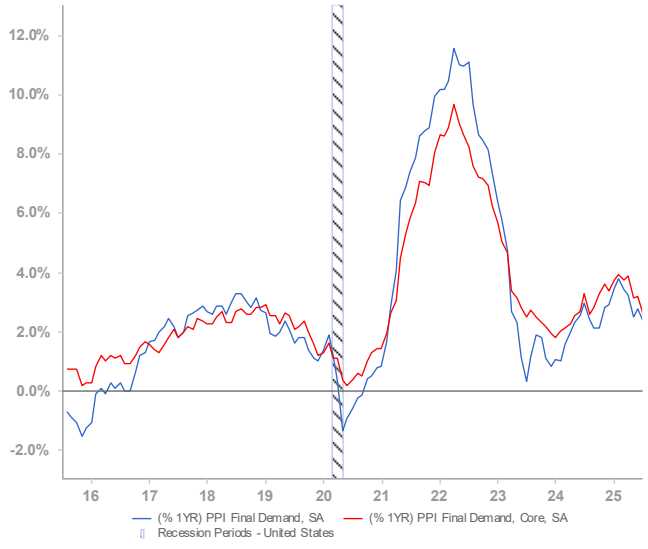
Price Indicators

Figure 46: Consumer Price Index



Source: FactSet

Figure 47: Producer Price Index



Source: FactSet

Figure 48: Employment Cost Index

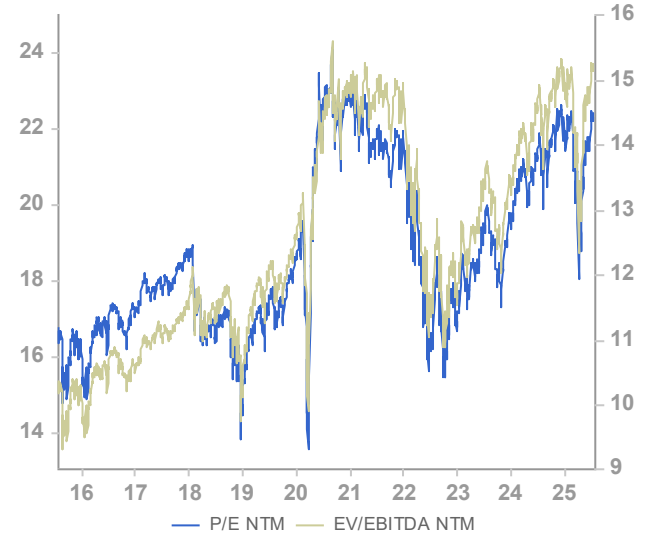
Source: FactSet

Figure 49: 10-Year, 5-Year Forward Inflation Expectations

Source: FactSet

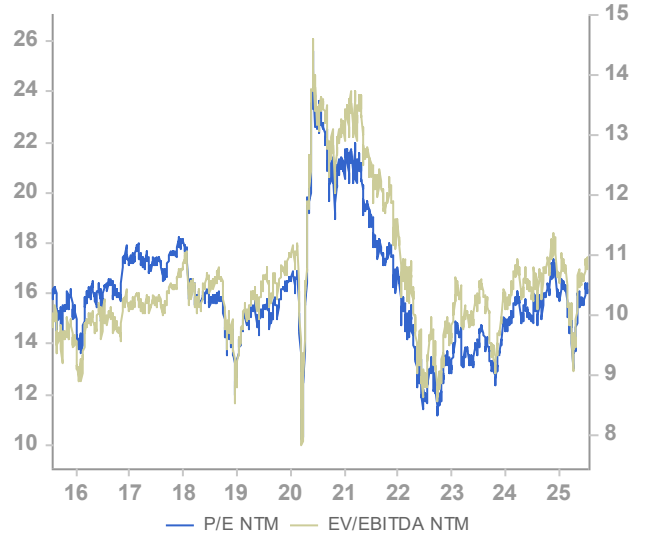
Valuation Indicators

Figure 50: S&P 500 P/E (LHS) & EV/EBITDA (RHS)



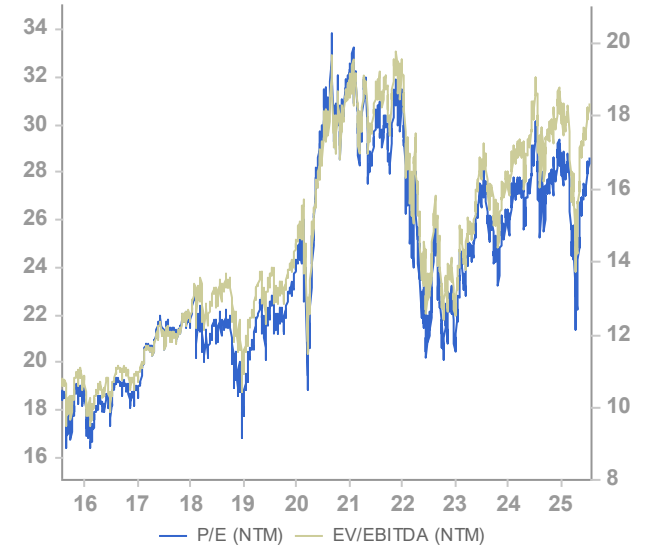
Source: FactSet

Figure 51: S&P Midcap 400 P/E (LHS) & EV/EBITDA (RHS)



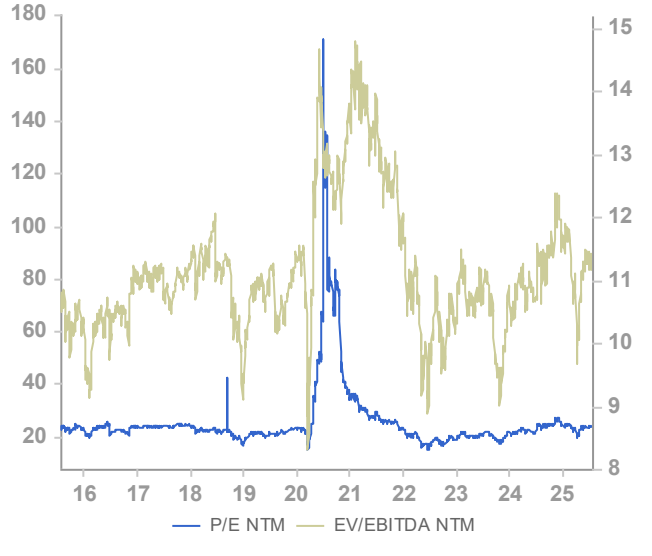
Source: FactSet

Figure 52: Nasdaq 100 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

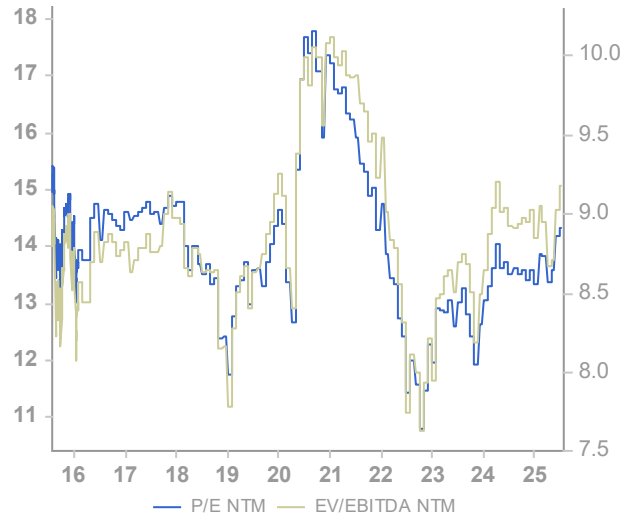
Figure 53: Russell 2000 P/E (LHS) & EV/EBITDA (RHS)



Source: St. Louis Federal Reserve, FRED Database

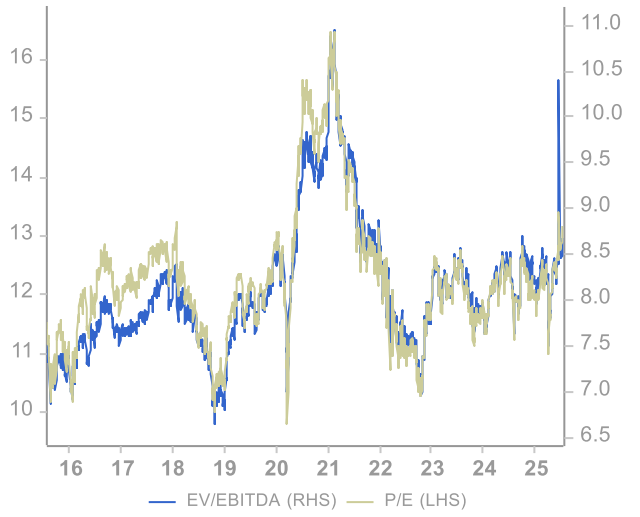
Valuation and Volatility Indicators

Figure 54: Intl Developed P/E (LHS) & EV/EBITDA (RHS)



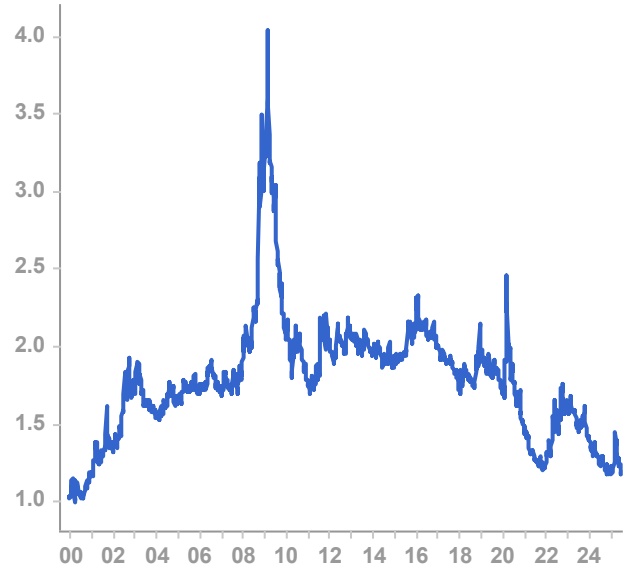
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 55: Emerging Markets P/E (LHS) & EV/EBITDA (RHS)



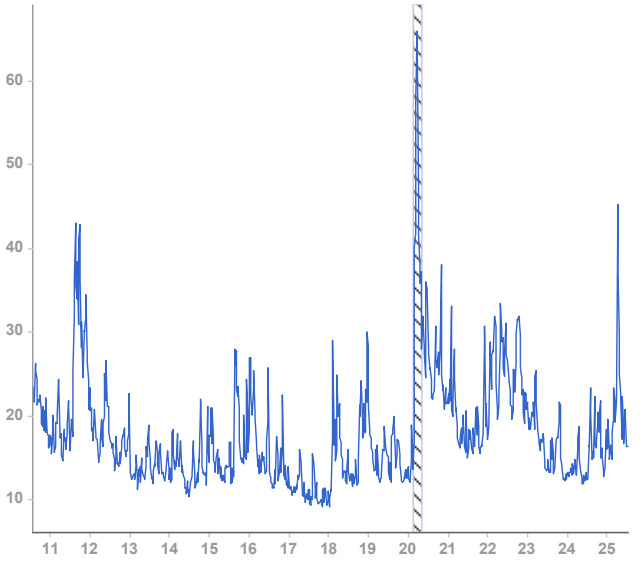
Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 56: S&P 500 Dividend Yield



Source: FactSet

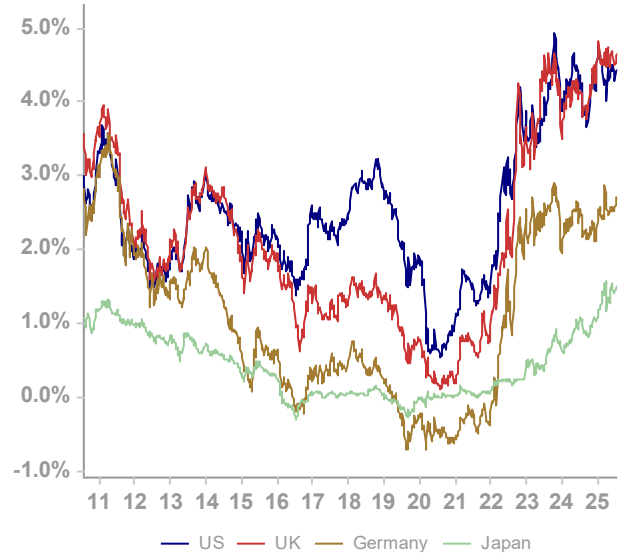
Figure 57: CBOE Volatility Index



Source: FactSet

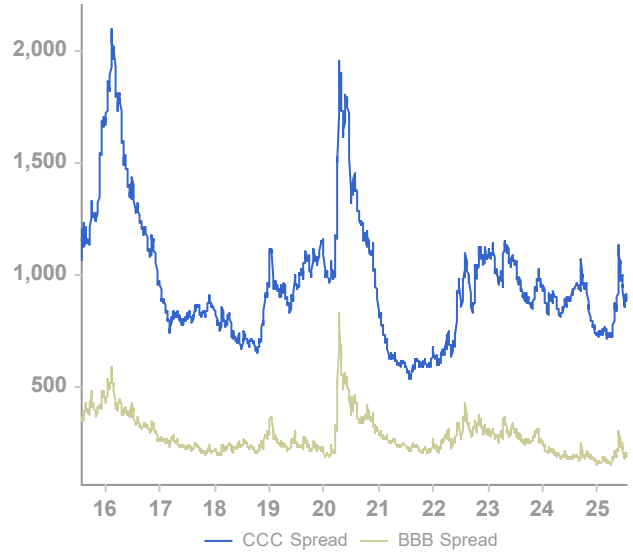
Bond Market Indicators

Figure 58: 10-Year Global Bond Yields



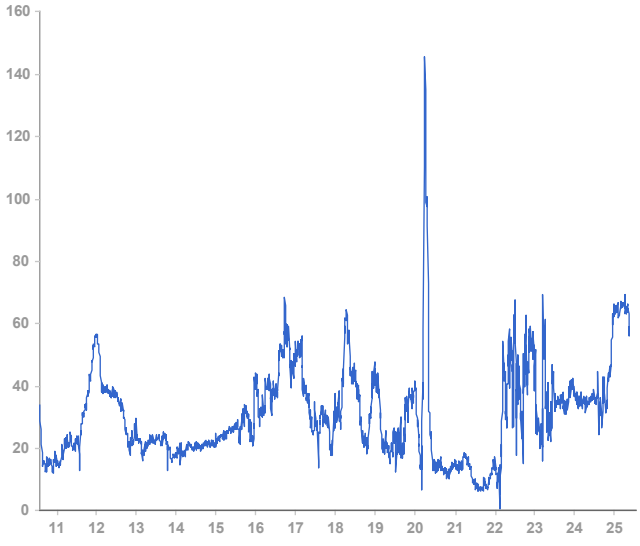
Source: FactSet

Figure 59: CCC and BBB Spreads (Option Adjusted)



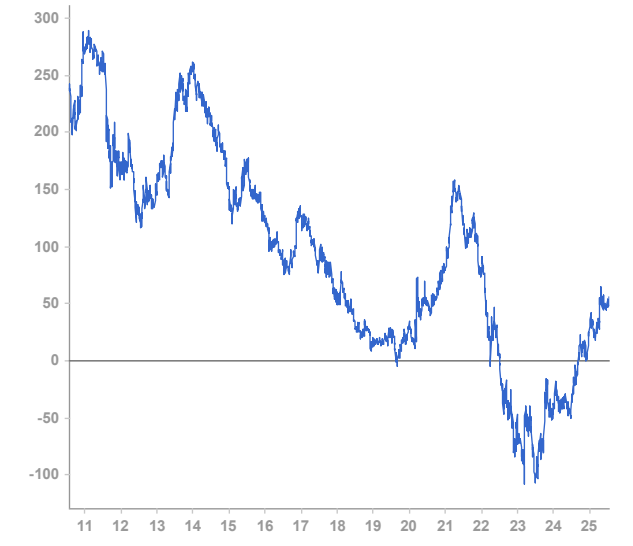
Source: FactSet

Figure 60: TED Spread (bps)



Source: FactSet

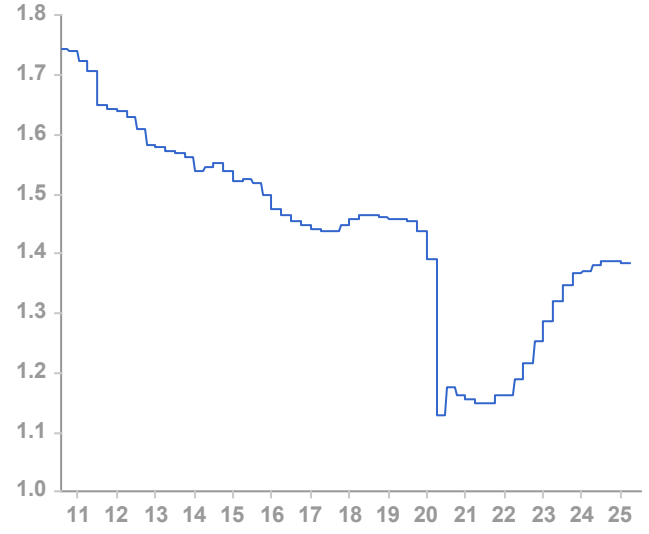
Figure 61: 10-Year Minus 2-Year Treasury



Source: FactSet

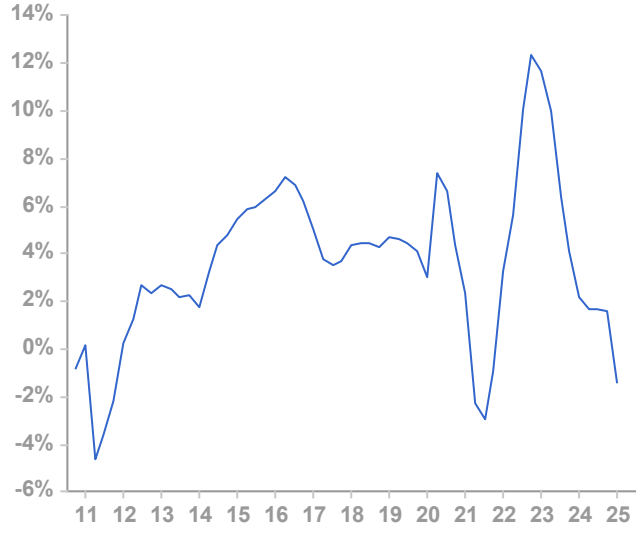
Liquidity and Other Indicators

Figure 62: Velocity of M2 Money Stock



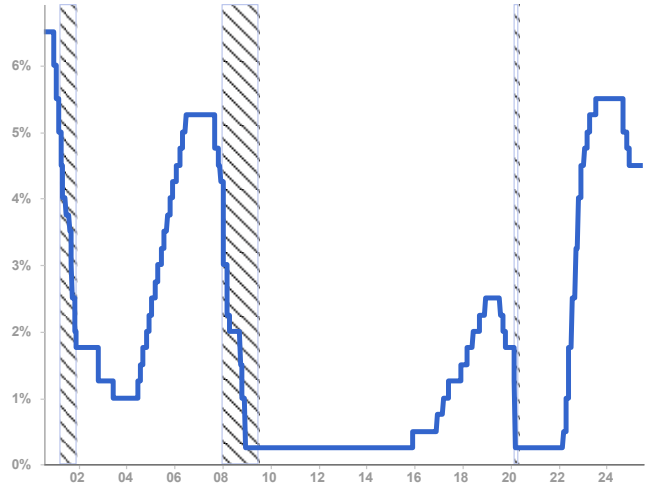
Source: FactSet

Figure 63: Loan Growth (Non-Financial, Private Sector)



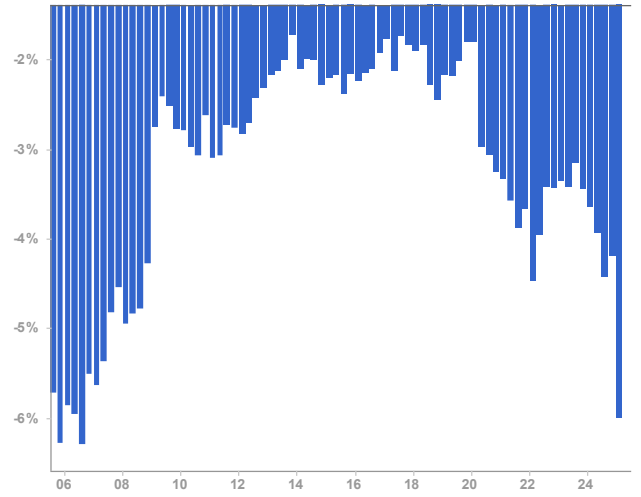
Source: FactSet

Figure 64: Fed Funds Target Rate



Source: St. Louis Federal Reserve, FRED Database

Figure 65: Current Account Deficit (as % of GDP)



Source: St. Louis Federal Reserve, FRED Database

ROCKINGSTONE ADVISORS LLC

Appendix

Important Regulatory Disclosures and End Notes

Form ADV available upon request. This quarterly is only for informational purposes and not a solicitation to buy or sell securities or as a source of specific investment, legal or tax recommendations.

Rockingstone Advisors is solely responsible for the content of this Quarterly. The information and statistical data contained herein have been obtained from sources we believe are reliable but cannot guarantee.

Rockingstone Advisors performance charts depict the mean aggregate return of all accounts invested with a similar objective and risk tolerance during the entire return period; individual account performance may materially differ according to strategy and portfolio composition. Returns are calculated using time-weighted method (TWM) and are weighted by portfolio assets. Returns can be influenced not only by the actual performance of the underlying portfolios, but by the mix (composition) of portfolios in any given year and the number of portfolios within the sample set. Public equity returns are calculated by Morningstar based on information received from our custodian(s). Other investment returns, including private equity and real estate investments are calculated based on valuation data from parties other than Rockingstone Advisors or at cost. Fixed income returns generated by private notes are recognized when the cash coupon is paid, rather than on an accrued interest basis (except for PiK securities). Annualized return is based on portfolios invested as of June 1, 2009. The sample set of portfolios within each annual cohort has increased over time and the mix changes every year. Our investment returns may reflect investment opportunities that are unavailable to all of our clients, for reasons including: (i) certain funds in which we have invested are now closed to new investors, (ii) certain clients may not meet “accredited investor” standards, (iii) certain investments are available only to officers or directors of a business, and /or (iv) we may believe that historical returns most likely will not be generated by a specific security or strategy and thus are no longer allocating new capital to a specific security or strategy. Past performance is neither indicative of-- nor a predictor of-- future performance. Mean reversion is a powerful force, meaning periods of outperformance are typically followed by periods of underperformance. All figures are net of fees and expenses. Rockingstone’s performance must be assessed in light of not just how we performed relative to the benchmarks, but how much risk we assumed in generating portfolio returns.

Quarterly Data prices are as of June 30, 2025; most other prices and yields are as of July 23, 2025.

We are happy to provide the raw data and source links for any of the charts or tables in this Quarterly. We are also happy to provide individual account performance data by annual cohort or by IRR (instead of TWM) so you can better understand the range of portfolio returns. We thank you for your interest and always appreciate any feedback.

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[i] Asset class performance charts depict Equity (SPY ETF), Bonds (BND ETF), Commodities (DBC ETF), Preferred (PFF ETF) and Real Estate (VNQ ETF) price change plus dividends and interest during the selected period.

[ii] Rockingstone Advisors performance charts depict the mean aggregate return of all accounts invested with a similar objective and risk tolerance during the entire return period; individual account performance may materially differ according to strategy and portfolio composition. Returns are calculated using time-weighted method (TWM) and are weighted by portfolio assets. Returns can be influenced not only by the actual performance of the underlying portfolios, but by the mix of portfolios in any given year. Public equity returns are calculated by Morningstar based on information received from our custodian(s). Other investment returns, including private equity and real estate investments are calculated based on valuation data from parties other than Rockingstone Advisors. Fixed income returns generated by private notes are recognized when the cash coupon is paid, rather than on an accrued interest basis. Annualized return since inception is based on portfolios invested as of June 1, 2009. The sample set of portfolios within each annual cohort has increased over time. Our investment returns may reflect investment opportunities that are unavailable to all of our clients, for reasons including: (i) certain funds in which we have invested are now closed to new investors, (ii) certain clients may not meet "accredited investor" standards, (iii) certain investments are available only to officers or directors of a business, and /or (iv) we may believe that historical returns most likely will not be generated by a specific security or strategy and thus are no longer allocating new capital to a specific security or strategy. Past performance is not indicative or a predictor of future performance. Mean reversion is a powerful force, meaning periods of outperformance are typically followed by periods of underperformance. All figures are net of fees and expenses. Rockingstone's performance must be assessed in light of not just how we performed relative to the benchmarks, but how much risk we assumed in generating portfolio returns.

[iii] Equity performance charts depict U.S. large-cap (SPY ETF), U.S. mid-cap (VO ETF), U.S. small-cap (IWM ETF), International Developed (VEA ETF), and Emerging Markets (VWO ETF) price change plus dividends and interest during the selected period. We note that Vanguard highlighted a trading glitch in the shares of VO during March 31, 2015 that led to prices materially higher than underlying NAV. Hence you should assume VO's valuation and total return was inflated as of the end of the first quarter.

[iv] Our Five-Year Forecast is updated quarterly and reflects our best judgment on future performance based on current valuations relative to historical valuations, as well as our outlook for earnings and macroeconomic conditions. We caution that predicting outcomes is inherently risky and subject to change.

[v] Equity performance charts depict U.S. large-cap (SPY ETF), U.S. mid-cap (VO ETF), U.S. small-cap (IWM ETF), International Developed (VEA ETF), and Emerging Markets (VWO ETF) price change plus dividends and interest during the selected period. We note that Vanguard highlighted a trading glitch in the shares of VO during March 31, 2015 that led to prices materially higher than underlying NAV. Hence you should assume VO's valuation and total return was inflated as of the end of the first quarter.

[vi] Fixed income performance charts depict Intermediate Government (IEF ETF), High Yield Corporates (JNK ETF), High Grade Corporates (LQD ETF), International Corporates (PICB), and Emerging Markets bonds (EMB ETF) price change plus interest income earned over the selected period.

[vii] Commodity performance charts depict Precious Metals (DBP ETF), Base Metals (DBB ETF), Oil (DBO ETF), and Agriculture (DBA ETF) price change.

[viii] Digital asset performance charts depict the price changes of Bitcoin (BTC) and Ethereum (ETH) over the selected time frame.