



2025 BD STEERING



Annual/December 2025 Letter

January 20, 2026

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To those following our investment journey:

This letter documents our personal investment journey and analytical process. It is shared for educational purposes and is not investment advice or a solicitation of any kind.

	YTD	Cumulative
BD Sterling	44.97%	76.51%
S&P 500	18.09%	23.14%
Alpha (α)	26.88%	53.37%
Beta (β)	1.13	1.14
Sharpe Ratio	1.60	1.93

Cummulative number represents since inception (9/18/24)

Numbers are from Bloomberg LP and Interactive Brokers LLC

S&P 500 returns are calculated with IVV with dividends reinvested

2025 was the most eventful year for B.D. Sterling to date. The year began with the Liberation Day scare, during which markets reacted sharply, with the S&P 500 declining nearly 19% from February 19 to April 8. This period marked the fund's first sustained test through a broad market drawdown. Over the same window, the portfolio declined approximately 23%, corresponding to a downside beta of 1.09, reflecting modestly elevated market sensitivity while remaining controlled and disciplined through heightened volatility.

The subsequent rebound proved equally important. From April through year end, equity markets recovered and advanced sharply, with the S&P 500 rallying roughly 36%. Over this up market phase, the portfolio achieved an upside capture multiple of approximately 1.73×, driven by strong position recoveries and disciplined stock selection, resulting in gains of roughly 62% during the rebound. During the preceding drawdown, downside capture measured approximately 1.23× the market's decline. Upside capture meaningfully exceeded downside exposure, demonstrating the portfolio's ability to navigate both market downturns and recoveries while generating significant outperformance over full cycles.

Taken together, 2025 served as a critical proving ground for the fund's approach. Across both sharp drawdowns and powerful recoveries, performance was driven primarily by alpha and conviction rather than leverage, resulting in the fund returning 44.97% in 2025, compared to the S&P 500's 15.17% return.

Operational Evolution: From Intuition to Infrastructure

The most significant milestone of 2025 was not a single trade, but the operational maturation of B.D. Sterling. In July, we made the deliberate decision to focus on building the operational and analytical infrastructure required to scale responsibly. This marked a shift toward a more formalized approach to position sizing, supported by quantitative portfolio allocation models based on expected returns, composite risk factors, and Monte Carlo simulations. We translated five distinct business risks, Volatility, Regulatory, Disruption, Valuation Uncertainty, and Earnings Quality, into quantifiable weights, then optimized our portfolio to maximize risk-adjusted returns along the efficient frontier.

This was not an academic exercise. The model immediately flagged that we were overweight Robinhood relative to its risk profile, despite its exceptional performance. We acted. Over the course of Q3 and Q4, we systematically trimmed Robinhood, which had returned approximately 280% to the fund, and redeployed capital into Amazon, Booking, and UnitedHealth, Mastercard, Adobe, names where the model indicated better risk adjusted return potential. While difficult in the short term because of how much it returned for the fund, this decision reflected disciplined portfolio construction and appropriate risk management. We are not in the business of maximizing performance in a single name; we are in the business of compounding the entire portfolio while minimizing drawdown risk.

Equally important, we refined our equity research process. Our Robinhood equity report from early 2025 compared to our work in the back half of the year reflects a step change in depth and rigor. To institutionalize this edge, we began developing "Project Vector," a proprietary internal search engine designed to solve the needle in the haystack problem inherent in voluminous financial filings. Rather than relying on generic, off the shelf AI, we built a local Retrieval Augmented Generation (RAG) architecture using lightweight models like Mistral and Gemma. By utilizing a custom embedded vector database to semantically "chunk" dense documents, we can pinpoint specific risk factors with a precision that standard context windows miss. We are currently stress testing this infrastructure, achieving 85% retrieval accuracy on dense FEMA-grade government documentation and 95% accuracy on internal files, with the ultimate goal of deploying it against SEC 10-Ks to automate the extraction of critical data.

We are now writing research that we would be proud to present to institutional allocators, not just friends and family. This evolution was deliberate. We are building B.D. Sterling to be a vehicle that can responsibly deploy significant capital, and that requires a standard of work that matches the fiduciary responsibility we are asking others to entrust us with.

Agency Over Intelligence

One of the most clarifying ideas we internalized this year came from Andrej Karpathy, who argued that Agency > Intelligence. He wrote:

I had this intuitively wrong for decades, I think due to a pervasive cultural veneration of intelligence, various entertainment/media, obsession with IQ etc. Agency is significantly more powerful and significantly more scarce.

This insight reframed how we think about our own development as investors. The investment world is filled with brilliant people who can build DCF models in their sleep, who can recite every line from Berkshire letters, who scored in the 99th percentile on every standardized test. But intelligence alone does not compound capital. The agency does. Agency is the capacity to take initiative, make decisions, and exert control over your actions even when the path forward is uncertain.

When the market crashed in April, agency meant staying invested when every headline screamed risk off. When our portfolio allocation model flagged an inefficiency in July, agency meant pausing all trading to build the infrastructure

we needed, even though it felt unnatural to step away from the tape. When Robinhood hit all time highs in Q3, agency meant systematically trimming despite the psychological pull to "let it run." And when we encountered operational roadblocks in our fund structure work late in the year, agency meant pivoting decisively back to our original setup rather than forcing a suboptimal solution.

What We Built Beyond Returns

We place a heavy emphasis on the "fourth factor of production": Entrepreneurship. For us, this meant investing as heavily in our relationships as we did in our portfolio. Throughout the year, we continued our Rev Pups dinner series, hosting four gatherings that brought together Aggies, market professionals, and founders. These evenings were not "networking" in the transactional sense; they were genuine intellectual exchanges designed to sharpen our circle of competence and force us to defend our ideas in real-time. We also spent the back half of the year digging our well before we were thirsty. This included a dedicated trip to New York in August to meet with alumni and mentors, as well as exploring a formalized fund structure.

A Note of Gratitude

Finally, this journey would be impossible to walk alone. To the mentors who took our coffee chats, the professionals who answered our cold emails, and the friends who cheered us on, thank you.

But perhaps most importantly, thank you to those who offered criticism. To the people who challenged our theses, poked holes in our logic, and forced us to defend our convictions, you have made us better investors. We are building B.D. Sterling in public because we believe that transparency and feedback are the fastest accelerators of growth. We are grateful for every piece of advice, both the encouraging and the critical, that helps us compound our knowledge.

Looking Forward: The Marathon Ahead

B.D. Sterling is far from where we believe we can build this firm. We are young, we are hungry, and we genuinely believe there is no goal too big for us. But we also recognize that building a durable investment platform is a marathon, not a sprint. Our goal is not to generate outsized returns for a few years and burn out; it is to compound capital responsibly for decades, evolving B.D. Sterling into a multi-strategy platform that spans equities, venture capital, commodities, and other opportunistic strategies. As Joshua Kushner said, "The goal of life is to be excited to go to work and excited to go home." B.D. Sterling is how we pursue the first half of that sentence. The people around us, our partners, mentors, and friends, are what make the second half possible. Thank you for allowing us to steward your capital and your confidence. We are still at the beginning of this marathon, but we are running it with conviction, together.

With much gratitude,

Dhruv and Bhuvan

B.D. Sterling Capital

[1] Historical performance reflects pre-formation, unaudited results from 09/18/24 to 12/01/25 generated under the same investment strategy and by the same portfolio managers throughout the entirety of the period

Portfolio Management & 2026 Outlook

Mastercard | 16% of AUM | Rating: STRONG BUY ★★★★★

The core thesis for Mastercard rests on the conviction that the company is no longer just a "toll road" capitalizing on global consumer spending; it is structurally transforming into a premier digital infrastructure and data-services platform. While the broader market continues to view the company primarily through the lens of its duopoly status with Visa, this perspective underestimates the durability and strategic importance of its Value Added Services (VAS) segment. This division now accounts for nearly 40% of total revenue and is growing at approximately 20% annually, a rate that significantly outpaces the traditional payment processing business. Unlike the core network, which is driven by transaction volume, the VAS segment encompasses mission critical solutions such as AI driven fraud detection, cybersecurity, identity verification, and data analytics consulting. These services embed Mastercard deeply into the operational workflows of banks, retailers, and governments, creating high switching costs and generating recurring, SaaS like revenue streams that are far less cyclical than simple transaction fees.

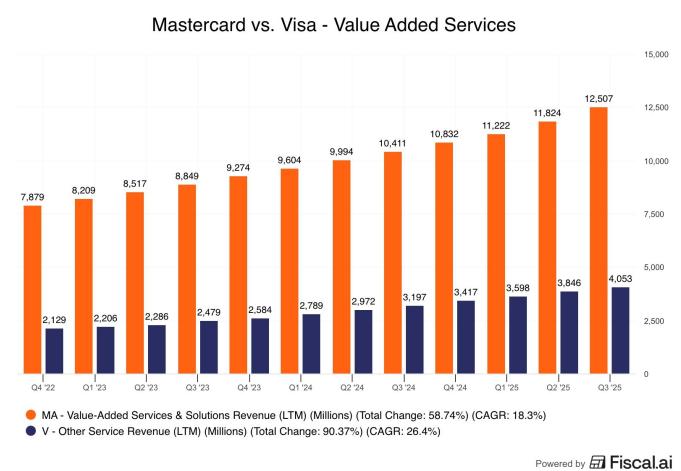


Figure 1: MA vs V in non-payment network/service fee

directly to the bottom line.

This structural shift underpins a valuation that offers significant asymmetric upside, even when factoring in a premium multiple. Our model projects a 16.69% annual total return, driven by the compounding effect of mid-teens revenue growth and a disciplined capital allocation strategy that includes aggressive share buybacks. We have set a medium-term price target of \$725, reflecting our confidence that the market will continue to reward this unique combination of defensive resilience and high-growth optionality.

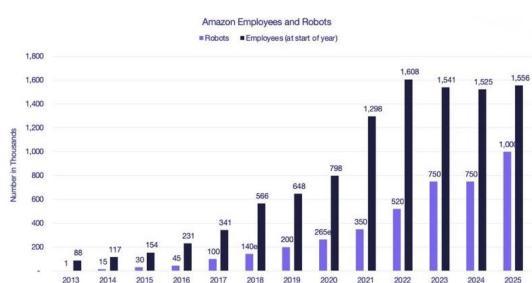
Looking further ahead to 2030, as the VAS engine continues to scale and operating margins stabilize in the mid-50s, the compounding power of the model becomes even more evident. We forecast Earnings Per Share (EPS) to more than double from approximately \$13.89 in 2025 to roughly \$30.62 by 2030. Applying a target P/E multiple of 37x to these earnings, a premium we believe is justified by the company's "wide moat" quality and predictability, implies a long-term share price of approximately \$1,133. This trajectory validates our view that Mastercard remains one of the highest quality compounders available in the market today, offering investors a rare mix of safety, inflation protection, and aggressive capital appreciation.

This divergence into services creates a powerful "fly-wheel" effect that differentiates Mastercard from its primary competitor. While Visa remains more focused on scale and transaction processing, Mastercard uses its payments network to capture proprietary data, which it then leverages to build superior security and analytics products. These enhanced services attract more customers to the network, which in turn generates more data, further refining the product suite. This strategic focus on services allows Mastercard to compound revenue at a faster rate than Visa, structurally improving its long term growth visibility and margin profile. Furthermore, the business acts as a natural hedge against inflation; as nominal spending rises, Mastercard's assessment fees increase without a corresponding rise in operating costs, producing exceptional operating leverage that flows directly to the bottom line.

Amazon | 13% of AUM | Rating: : BUY ★★★★☆

Everyone's focused on the Tesla humanoid robotics hype, but many overlook another company that's already making meaningful progress in advanced robotics, and stands to benefit enormously as the technology scales. Amazon is already operating one of the most advanced robotics deployments in the industry, inside its fulfillment and logistics network, where the ROI is immediate and measurable. Robotics here isn't a science project; it's a margin machine. Every step function improvement in picking, sorting, packing, and internal transport flows straight into lower cost to serve, faster delivery promises, and higher Prime value, creating a flywheel of more orders, more seller dependence, and more scale.

The market treats humanoid robots like a winner takes all product story (usually with Tesla coming out on top). We think the bigger story is deployment at scale in messy, high volume workflows. Amazon has the facilities, the data, the operational muscle, and the incentive structure to adopt whatever form of robot wins. That may be humanoid, modular arms, autonomous movers, or hybrids, the latter 3 of which would be significantly easier to roll out than a humanoid counterpart. If the tech works, productivity gains compound and margin increase is inevitable.



And there's a second layer most people ignore: AWS. Robotics is ultimately an AI + data + compute problem. As robotics adoption expands across industries, AWS is positioned as a picks and shovels beneficiary. So you get two shots on goal: (1) robotics driven margin expansion in the core commerce engine, and (2) cloud monetization as the broader robotics ecosystem scales. We believe these dives into Amazon robotics will be a cornerstone to their 2026 story.

Figure 2: AMZN scaling humanoids. Source ARK Investments

Google | 11% of AUM | Rating: Hold : HOLD ★★★★☆

The "death of search" narrative has been dismantled by the sheer resilience of Alphabet's core business. Despite persistent fears of AI cannibalization, daily search volumes have remained robust, with Google maintaining over 90% global market share throughout 2024 and 2025. Far from being disrupted, the integration of Gemini, specifically the Nano Banana model, into the Workspace ecosystem has transformed the platform. By embedding world knowledge editing directly into the workflow of students and professionals, Google is cementing its utility moat and evolving into the "invisible operating system" for the next generation.

The market's skepticism regarding the CapEx Imperative has also proven unfounded, as these heavy infrastructure investments are now generating undeniable ROI. Google

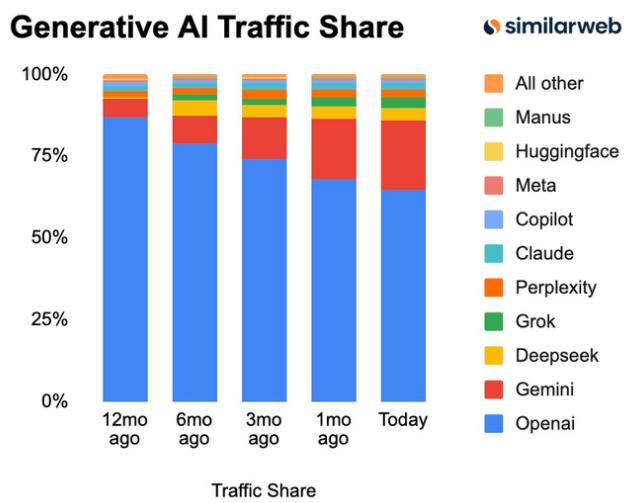


Figure 3: GOOGL Crushing with Gemini 3

Cloud revenue surged 34% YoY in Q3 2025, with operating income more than doubling, validating the company's AI-first infrastructure strategy. This growth is anchored by Google's custom TPUs, which provide a critical hedge against Nvidia reliance and offer such efficiency that even competitors like OpenAI have reportedly utilized them for inference. With a backlog swelling to \$155 billion, the cloud division has successfully transitioned from a capital-intensive growth venture to a primary financial engine.

Looking to 2026, our thesis pivots to the industrialization of Other Bets, most notably Waymo. Unlike Tesla's broad testing approach, Waymo has executed a disciplined stepladder strategy, securing regulatory approvals and city-wide monopolies one market at a time. The focus for 2026 is unit economics: as the depot model saturates cities like Austin and San Francisco, deadhead miles decrease, flipping the business from an R&D expense to a cash flow generator. By leveraging partnerships with Uber for demand aggregation, Waymo is positioned to amortize its fixed costs and dominate the autonomous mobility market while the competition remains in beta.

Uber | 10% of AUM | Rating : BUY ★★★★☆

The long-standing bear case centered on autonomous vehicle (AV) disruption is fundamentally flawed, as it views the rise of self-driving technology as a binary threat that would cannibalize human ridesharing and erode margins. Instead, recent data and strategic partnerships, such as those with Waymo and Nvidia, suggest that AVs will transform Uber from a labor-heavy service provider into a high-margin demand aggregator. Because the primary destroyer of ROI for AV fleets is idle time, operators require massive, aggregated liquidity to ensure their expensive assets remain utilized. Uber's 189 million monthly active users provide this essential scale, allowing the company to solve the "peak demand" problem by using AVs for predictable baseline volume while utilizing human drivers for demand spikes.

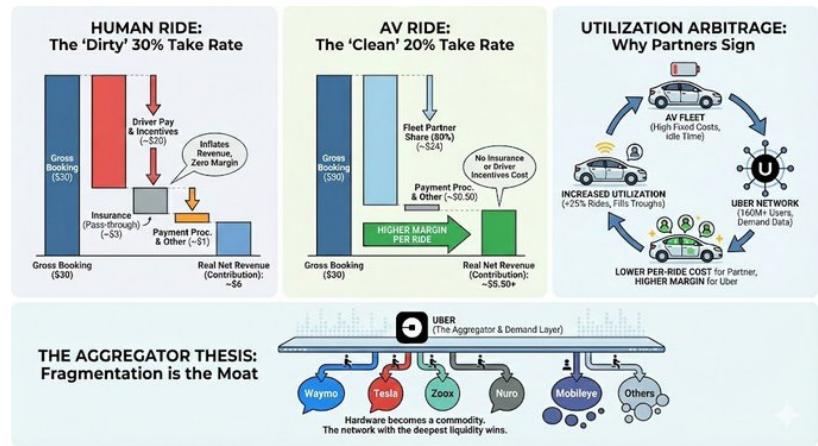


Figure 4: UBER: The Aggregator Thesis | Image: @ManuInvests

Furthermore, the proliferation of competing AV suppliers like Tesla, Waymo, and various international players creates a fragmented market that plays directly into Uber's hands. By acting as the primary digital gateway for consumers, Uber maintains significant leverage over these diverse hardware providers, avoiding the heavy capital expenditures of fleet ownership while capturing a variable take rate for immediate demand access. This shift is expected to fuel a massive free cash flow inflection throughout 2026, driven by an asset-light strategy and the scaling of high margin segments like advertising, positioning Uber as the central ecosystem for global mobility.

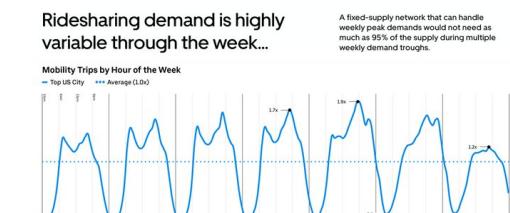


Figure 5: Uber and Waymo Utilization Arbitrage | Source: Uber Investor Relations

Regarding our secondary interest in Hertz Global Holdings (HTZ), we view the company as a potential asymmetric opportunity rather than a broken rental operator. While we do not

yet hold a position, Hertz represents the physical backbone necessary for an autonomous future. If Uber manages the digital demand, the industry still requires a partner to handle the complex logistics of physical supply, including the cleaning, maintenance, charging, and storage of millions of vehicles. Hertz's core competency as a levered asset manager buying, financing, and remarketing fleets relative to the depreciation curve fills this operational gap that software-focused firms like Waymo or asset-light aggregators like Uber are unwilling to bridge.

The market's current credibility discount on Hertz, which sees it trading at a fraction of the sales multiples of its peers, ignores significant progress in its internal turnaround. Management has successfully stabilized unit economics, driving Depreciation Per Unit (DPU) down toward its sub \$300 "North Star" target while maintaining strong revenue per unit. With free cash flow turning positive as fleet rotation normalizes, the financial floor is solidifying. We are monitoring Hertz as a high-conviction setup for 2026, viewing it as a leveraged play on autonomy infrastructure that is currently being mispriced by the broader market.

Hilton | 9% of AUM | Rating: HOLD ★★★☆☆

Hilton is best characterized as an exceptional asset light compounder that is currently undervalued relative to its intrinsic quality. The market has historically mispriced Hilton as a cyclical lodging company, failing to appreciate its transformation into a predictable, fee based business where 95% of operating income is derived from franchise and management fees. Because third party owners fund capital intensive construction while Hilton provides the brands and systems, the company achieves an infinite return on invested capital (ROIC) for organic growth, sustaining 83% operating margins on fee revenues.

The 2026 outlook is locked in by a visible development pipeline rather than reliant on economic variables. With a record 510,600 rooms in the pipeline and nearly 50% already under construction, the revenue bridge is secured. The model assumes a 6.0% to 7.0% Net Unit Growth (NUG), which serves as the primary compounding engine. This unit expansion, combined with the network effect of new high volume brands like Spark and LivSmart Studios, provides a mathematical floor for growth even if system wide RevPAR remains flat. Capital Allocation & Cash Flow The thesis relies on an aggressive reduction in share count to drive per share value. Following the projected \$3.3 billion returned to shareholders in 2025, capital return capacity is expected to expand in 2026 as free cash flow grows. The balance sheet supports this volume: there are no scheduled debt maturities until April 2027, leaving the entirety of FCF available for buybacks. Projected Returns The 2026 return profile shifts from post pandemic recovery to a steady state compounder. The convergence of 6–7% unit growth, stable royalty rates, and 4.4% annual share count reduction creates a predictable path to double-digit FCF/share growth, independent of broader macroeconomic volatility.

We've taken the excellent starting point provided by Jackson Hill Advisors' Hilton pitch and evolved it to meet our specific needs. We owe them a lot of credit for the initial inspiration that got us to this stage.

ASML | 9% of AUM | Rating: BUY ★★★★☆

To prevent the death of Moore's Law around 2015, the semiconductor industry faced a physics barrier that only one company could solve. ASML developed Extreme Ultraviolet (EUV) lithography, utilizing a 13.5 nanometer wavelength to print transistors when traditional methods hit a wall. This required engineering the most complex commercial product in history, a machine costing over €350 million that now acts as the singular choke point for the global silicon supply chain.

The machine's core creates conditions more extreme than nature allows on Earth. It fires a high-powered laser at microscopic molten tin droplets moving at 250 km/h. By hitting each droplet twice, once to flatten it, and again to vaporize it, the system generates plasma reaching 220,000 Kelvin (40x hotter than the sun) to emit EUV photons

50,000 times per second. Because glass absorbs EUV light, ASML utilizes mirrors so smooth that if scaled to the size of Earth, the largest imperfection would be thinner than a playing card.

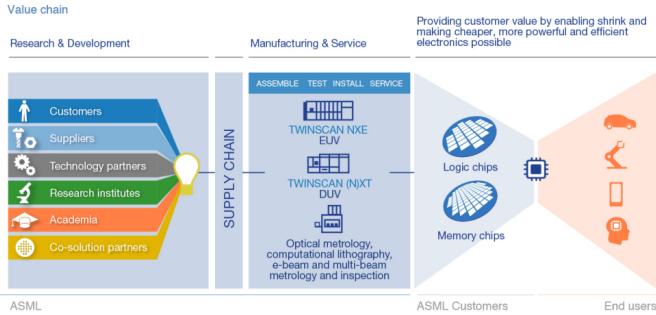


Figure 6: ASML value chain

most durable alpha lies in the enabler layer. ASML sits at the absolute bottleneck of this value chain, creating a hierarchy that is simple and unforgiving. Hyperscalers like Google and Amazon require custom TPUs and GPUs to train larger models, which forces chip designers to push for 3nm and 2nm architectures to meet power and efficiency needs. These designs must be manufactured by a foundry, primarily TSMC, which is the only player capable of fabricating at this scale. However, TSMC itself faces a hard constraint: ASML is the only company in existence that makes the machines required to print these chips.

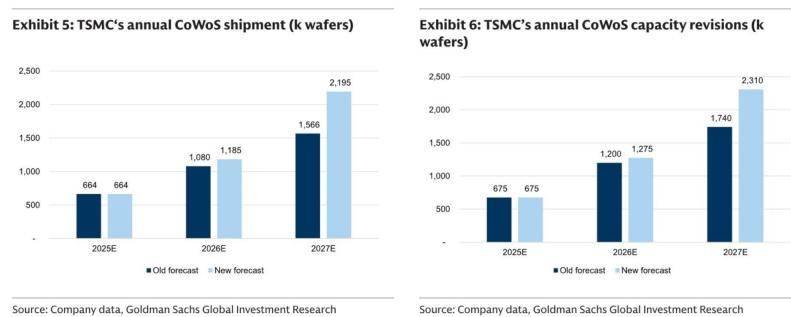


Figure 7: 100% CoWoS capacity increase

ASML. We are not just holding a hardware manufacturer; we are holding a royalty on the entire AI revolution. Whether the winner is Google's TPU or Nvidia's GPU, they all must pass through the ASML toll booth to exist.

For an really good video about ASML's Extreme Ultraviolet (EUV) Lithography, check out this video by Veritasium

Booking.com | 8% of AUM | Rating: HOLD ★★★☆☆

BKNG briefly sold off on the fear that Google's new AI travel/flight features would "disrupt" online travel agencies, but that move quickly faded and the stock largely rebounded back toward normal once investors zoomed out. The core point is simple: Booking is not a flights business, it's an accommodations business, with the vast majority of revenue tied to hotels and stays, especially in international markets. That matters because the real moat isn't their pretty search interface; it's Booking's deeply scaled, long built supply network in regions where hotels are highly fragmented, as thousands of independent and boutique properties that don't have the marketing budget or distribution reach to fill

The mechanical execution is equally impossible. To be economically viable, the machine accelerates the chip blueprints (reticles) at 20 Gs, five times the force of a Formula 1 car, while maintaining an overlay accuracy of one nanometer. This is a thirty year engineering bet that required massive capital injections from Intel, Samsung, and TSMC just to survive R&D. With next-generation High-NA machines already in production, ASML has effectively pre-booked its monopoly for the next decade.

While the market obsessively tracks the application layer of AI with tools like ChatGPT and Gemini, or the design layer with Nvidia and Google's TPUs, we believe the

Our conviction is reinforced by the massive Capex signals flashing from TSMC. As demand for Google's Trillium TPUs and Nvidia's Blackwell architecture explodes, the pressure flows directly upstream to TSMC. Since the foundry cannot simply run existing factories harder to meet this physical limit, they are forced to purchase more EUV capacity to print the smaller transistors these AI chips require. Every time a Big Tech CEO mentions increasing AI compute spend, they are effectively signing a purchase order for

rooms consistently on their own. Those suppliers depend on OTAs, and that dependency tends to be stickier abroad than in a U.S. style chain heavy market.

AI agents don't change that reality, they mostly change how the customer searches. Even if discovery becomes more "agentic," the agent still needs inventory, pricing, availability, payments, and resolution when something goes wrong. Booking already has the marketplace plumbing, global property relationships, and trust layer that actually closes the transaction. And just as importantly, Google's incentives aren't to blow up the ecosystem: travel advertising is a major profit pool, and OTAs effectively spend marketing dollars on behalf of millions of small suppliers, high margin revenue for Google without Google having to run the messy operational side of travel.

Looking forward, we see the elevated valuation as a large reason to keep the rating at a Hold and not increase our position. At this price, a lot of "normal" good execution is already in the stock, which limits the margin of safety if travel demand softens or marketing costs re-accelerate.



Figure 8: Source Statista

United Healthcare | 8% of AUM | Rating: HOLD ★★★☆☆

UNH is trading depressed today for two main reasons: a near term earnings and cash flow wobble, and a regulatory headline overhang. The company saw a late 2024 surge in Medicare Advantage care utilization as patients returned for delayed procedures, with utilization running roughly 2x what was forecast, which created a premium mispricing problem and pressured operating cash flow margins significantly. Layered on top of that, the market has been discounting ongoing uncertainty around CMS audit policy pressure and the DOJ Medicare Advantage false claims investigation.

Looking into 2026 and 2027, we believe the core issues are fixable and largely timing driven. Insurance pricing resets annually, so 2026 premiums should reflect the higher utilization reality, realigning cash inflows with claims costs and supporting a normalization in operating cash flow margins. Management has framed the margin dip as a one time anomaly tied to mispricing rather than a structural deterioration, and we see multiple operational levers already in motion: more targeted repricing using Optum claims level analytics, accelerated value based care (650,000 more patients moved into these contracts in 2025), and member experience improvements that support retention even as pricing adjusts (notably around 98% OptumRX retention).

On the regulatory side, our base case remains that this is a manageable overhang rather than an existential risk. Similar DOJ probes across the industry are typically resolved via settlement, and even a severe outcome framed as 1% of revenue would be about \$4B, roughly two months of cash flow. We also take signal from the roughly \$32M of clustered insider buying from senior leadership and directors during the drawdown, which reinforces our view that the market is over discounting the durability of UNH's long term earnings power. At the end of the day, this is a temporary earnings headwind. The underlying infrastructure is still intact, and premiums will continue to reprice and normalize as the market corrects for past missteps.

Adobe | 8% of AUM | Rating: STRONG BUY ★★★★☆

Adobe isn't slowing down. It continues to compound revenue and earnings in ways that contradict the market's skepticism. In Q4 FY2025, Adobe delivered \$6.19B of revenue (10% YoY) with Digital Media at \$4.62B (11% YoY), finishing the year at \$23.77B in sales (11% YoY), supported by a subscription model with nearly 90% recurring revenue that remains highly resilient. AI embedded tools like Firefly and AI Assistants are extending demand across creative and enterprise workflows rather than cannibalizing it, while the company's core economics stay strong: operating margins remain above 35% even with elevated generative AI R&D, FCF exceeded \$10B for the year, and ARR reached roughly \$25.2B (+11.5% YoY), reflecting high retention and deep professional and enterprise integration that basic AI tools can't replicate. Firefly's rapid adoption is reinforcing Adobe's premium positioning by driving engagement, upgrades, and upsell into Creative Cloud and Experience Cloud. Yet the valuation still implies a muted growth outlook, creating a narrative dislocation rather than a fundamental one, under conservative assumptions (25x exit P/E, 9.5% revenue growth, 38% normalized operating margins, and -1.5% net share dilution from buybacks), the framework supports a \$453.47 price target and a 16.64% 5Y CAGR, suggesting meaningful upside if Adobe simply continues executing at its established compounding rate.

In 2026, we expect the market to start to recognize Adobe's superior positioning as the company delivers more quarters of standout financial performance. Over time, the bear case that AI disrupts Adobe should fade, similar to how skeptics ultimately had to concede that AI wasn't an issue for Google. We also think Adobe's AI credit model will begin to show improving unit economics as efficiency scales. As AI becomes more embedded in day to day workflows, Adobe is well positioned to benefit because its monetization is tied directly to usage, and that demand has a powerful secular tailwind.

So the big question you might have is why Adobe is still a smaller allocation in the portfolio? Simply put, it's one of our most recent additions. We only initiated the position after completing our work and taking the time to pressure test our thesis. We prefer to let research sit, revisit it with fresh eyes, and build conviction before scaling exposure. That said, as we've spent more time with the business, our conviction has only strengthened, and we expect Adobe to scale into one of our top positions in the portfolio relatively quickly.

Gold | 7% of AUM | Rating: HOLD ★★★★☆

Gold began as a hedge against an environment we viewed as increasingly inflationary: fiscal policy remaining loose, growing expectations for rate cuts, and rising uncertainty around tariffs and trade. During sharp equity drawdowns, gold helped offset portfolio volatility, and even as equities recovered, it held its value amid persistent macro uncertainty. Today, we view gold as more than just an inflation hedge. It also serves as a reliable source of liquidity during selloffs. If a compelling opportunity emerges, we can trim a meaningful portion of the position to fund new investments quickly, keeping the portfolio nimble and ready to act when dislocations appear.

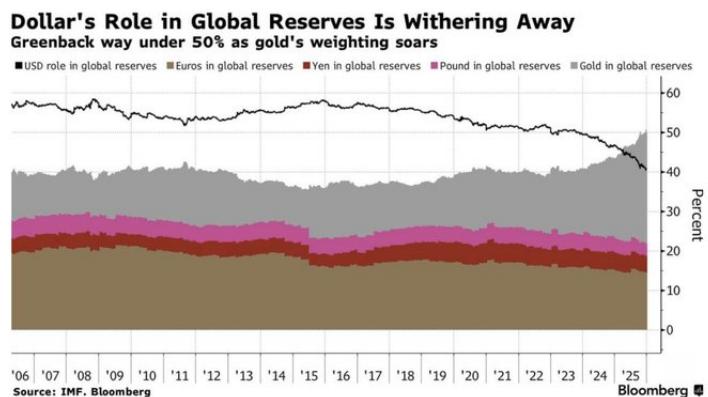


Figure 9: Source: Bloomberg

Looking ahead, we expect to keep funding our Adobe position by trimming gold as Adobe continues to validate its long term role in the portfolio. At the same time, we still view the macro backdrop as fragile and prone to renewed inflation. While the tariff headlines ultimately proved less consequential than initially advertised, the path of rate cuts, and the possibility of a more dovish Fed leadership willing to ease further, keeps inflation risk on the table. For that reason, we believe it still makes sense to maintain a smaller gold position as a partial hedge and a source of flexibility if volatility returns. The primary reason we're reducing the position size is that the opportunity set in select equities currently offers a more attractive use of capital than incremental hedging. We saw this firsthand when we fund our Adobe allocation, and we may continue that approach as we potentially expand into names like Netflix or Meta.

The performance figures presented herein relate to a jointly managed brokerage account overseen by portfolio managers Dhruv Datta and Bhuvan Siddaveerappa. This account currently serves as a track record building vehicle and a model portfolio for the investment approach employed by B.D. Sterling Capital Management. At this time, the account is not an official investment fund. The managers are actively exploring the formation of formal legal entities and appropriate offering structures to establish an official pooled investment vehicle in the future.

The performance of any future investor accounts or investment vehicles may differ materially from the results shown herein due to factors including, but not limited to, differences in cost basis, timing of capital contributions or withdrawals, tax considerations, and portfolio implementation constraints.

Pre entity performance inception date is September 18, 2025.

Statistical data regarding the performance of the S&P 500 was obtained from Bloomberg LP and Interactive Brokers LLC. The S&P 500 returns shown do not reflect the results of actual trading in investable assets or securities and are presented for comparison purposes only.

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