

Dreaming of sleigh bells but thinking I will receive coal

- 1) Demand pull-in +38% imports y/y
- 2) Q2 guidance given in April was low
- 3) \$USD down 7% in Q2 vs Q1
- 4) Fed rate cuts likely coming



- 1) Pull-in hits holiday demand
- 2) Tariff inflation higher in 2H
- 3) Bond yields & deficits higher
- 4) US\$ is depreciating



Dan Niles
Portfolio Manager

July 19, 2025

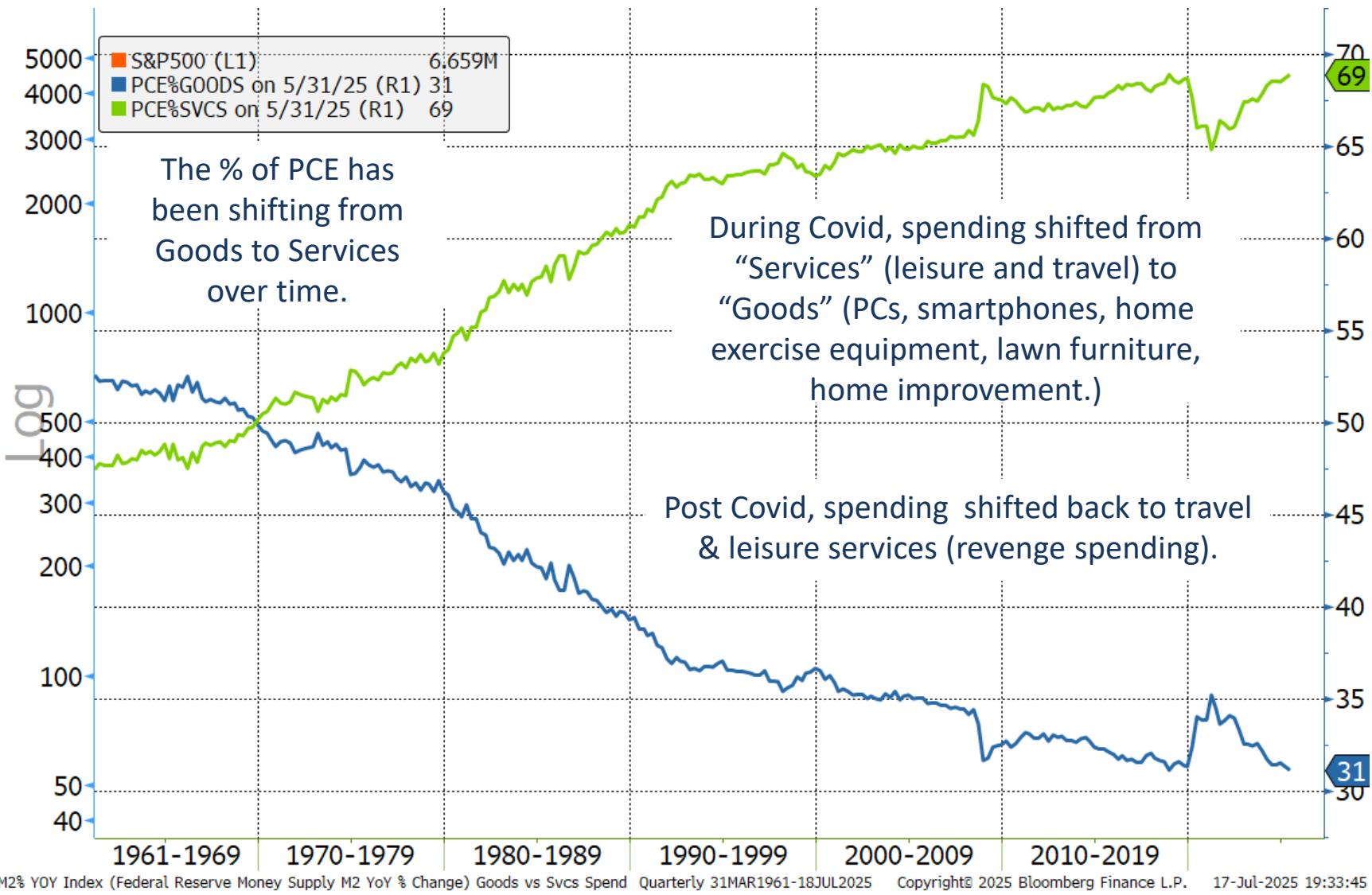


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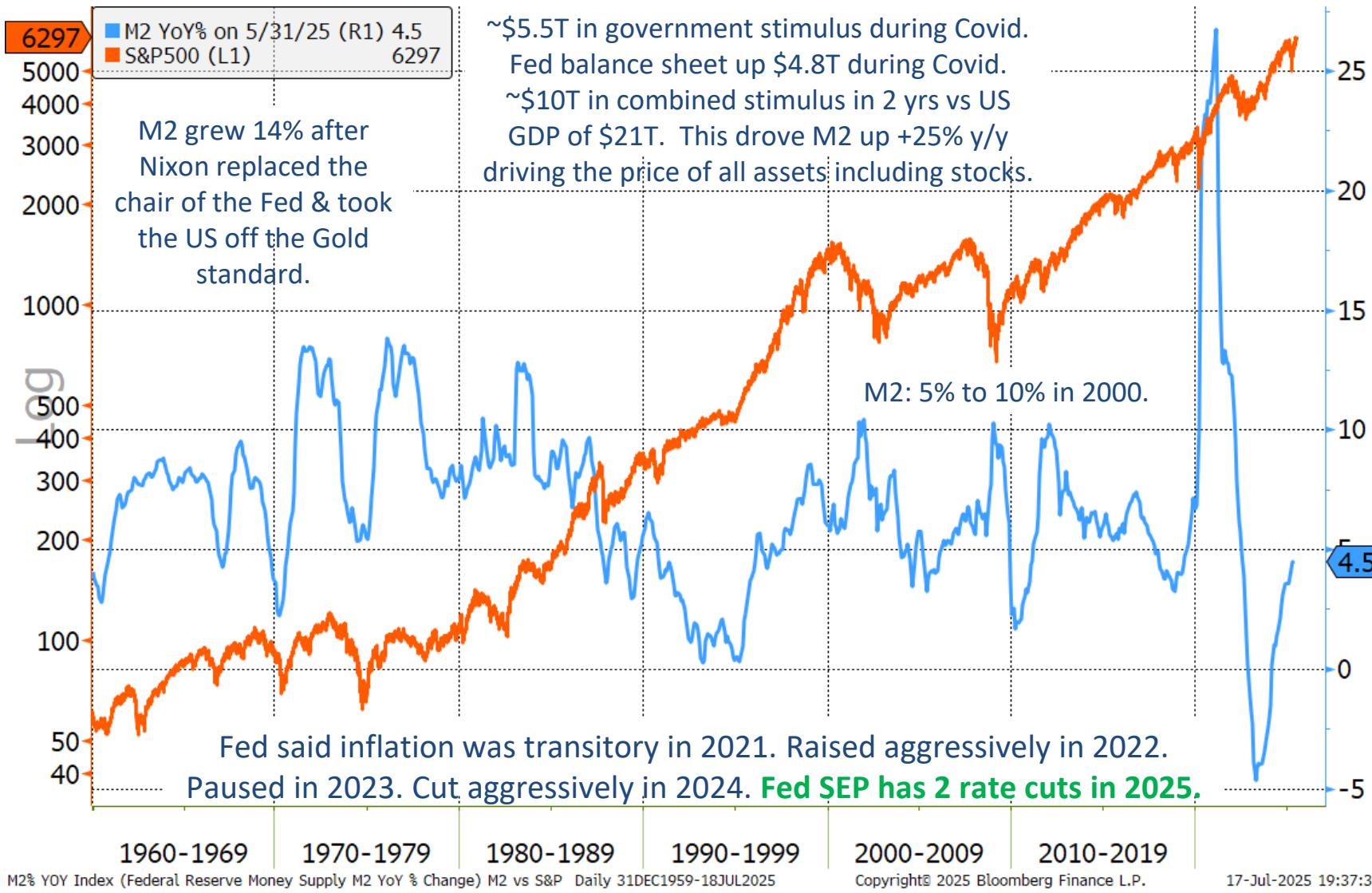
1994/95- the last soft landing engineered by the Fed



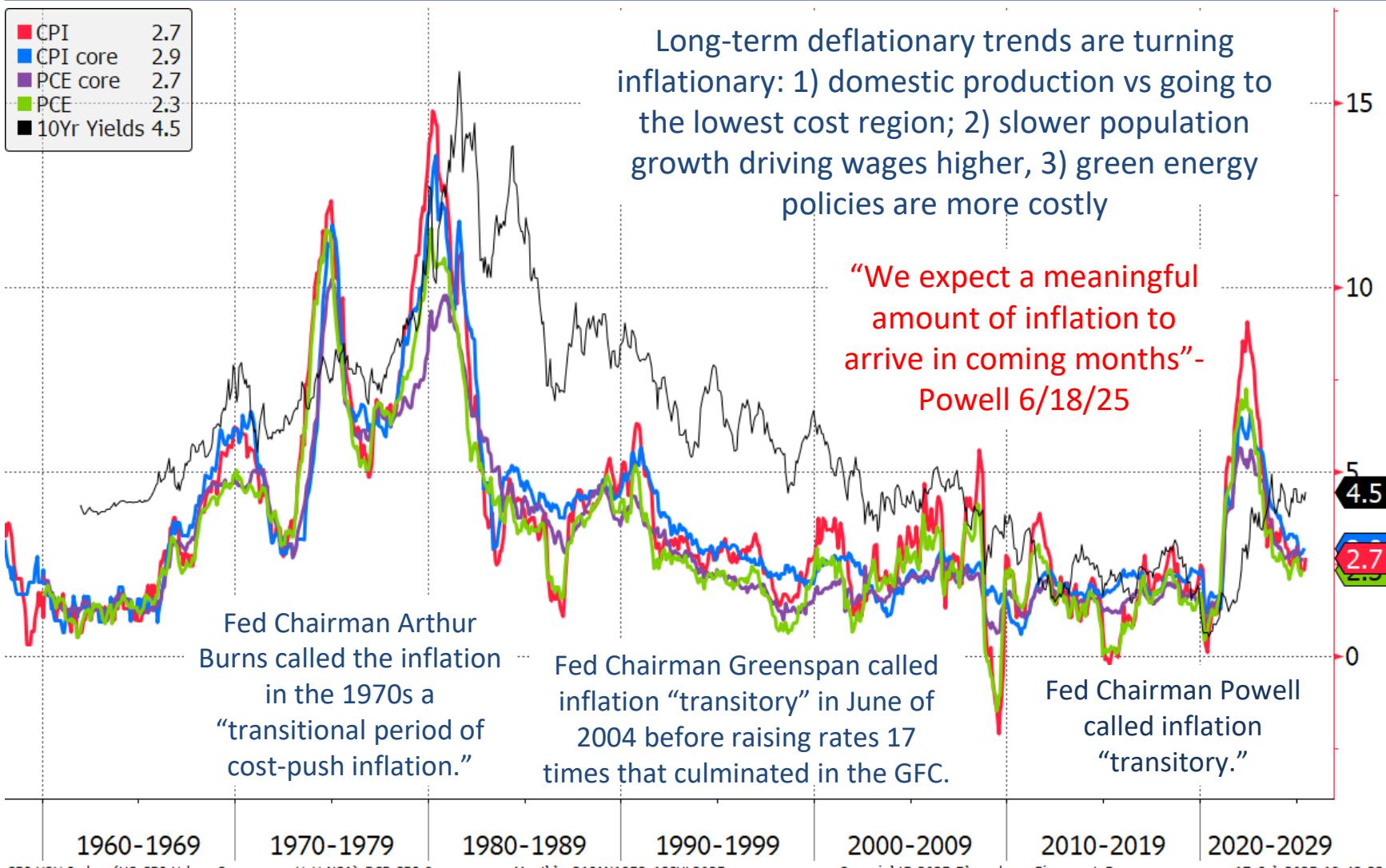
Services at ~70% of economy not impacted as much by Tariffs



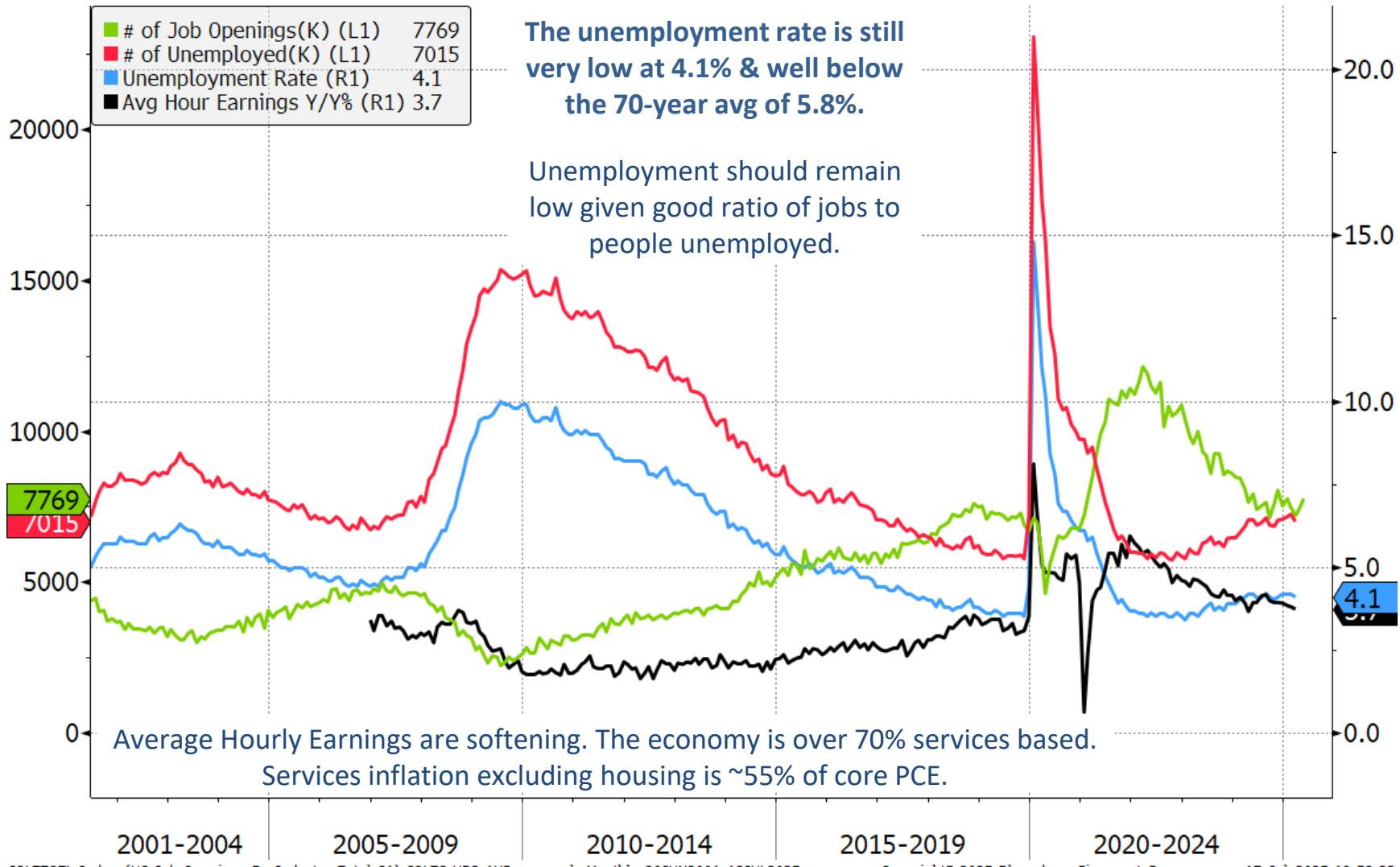
Don't Fight the Fed- Fiscal/Monetary Policies Drive S&P



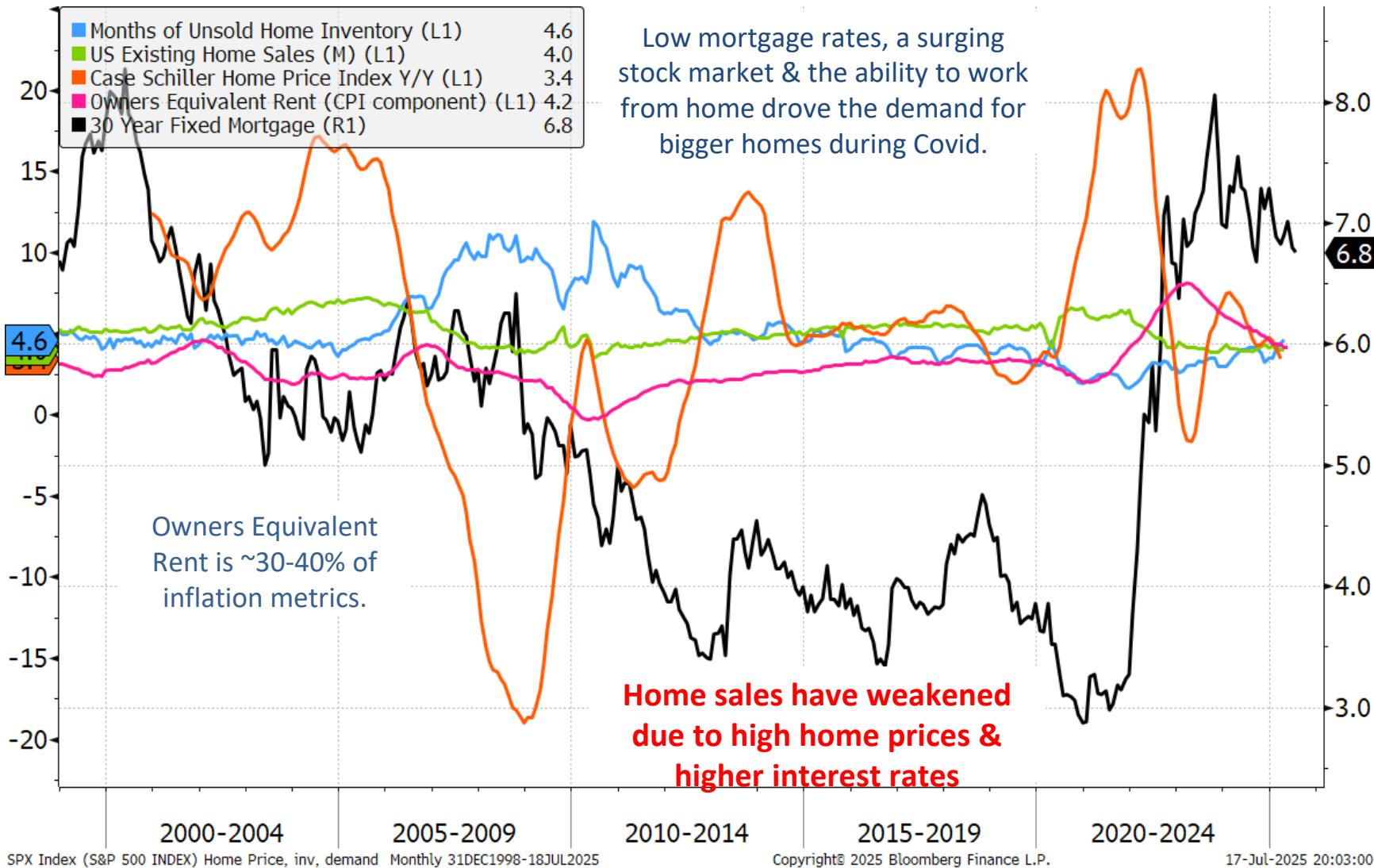
Inflation uncertain- tariffs drive inflation but lower growth



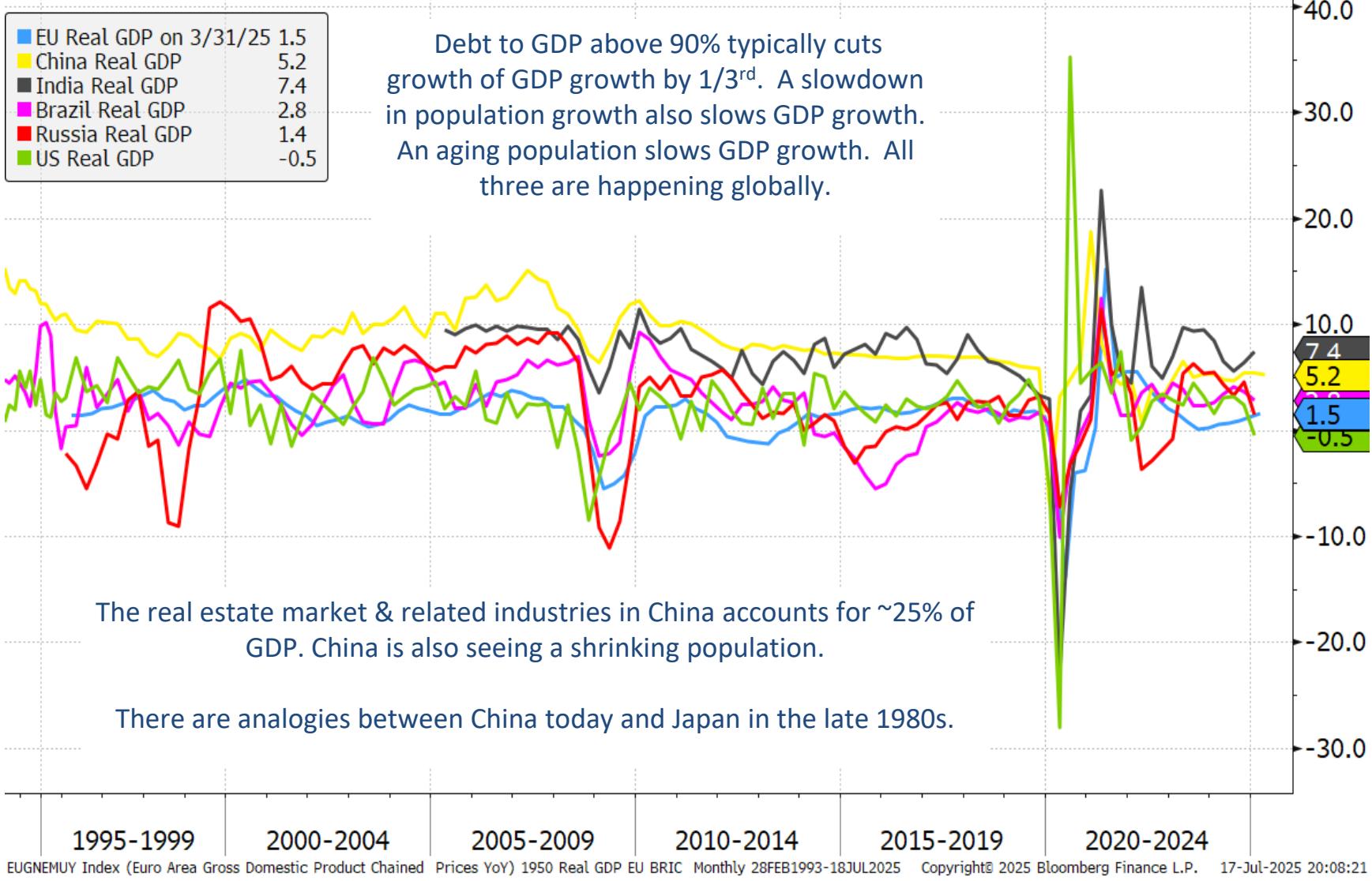
Job Openings in-line with Unemployed keeps Economy Solid



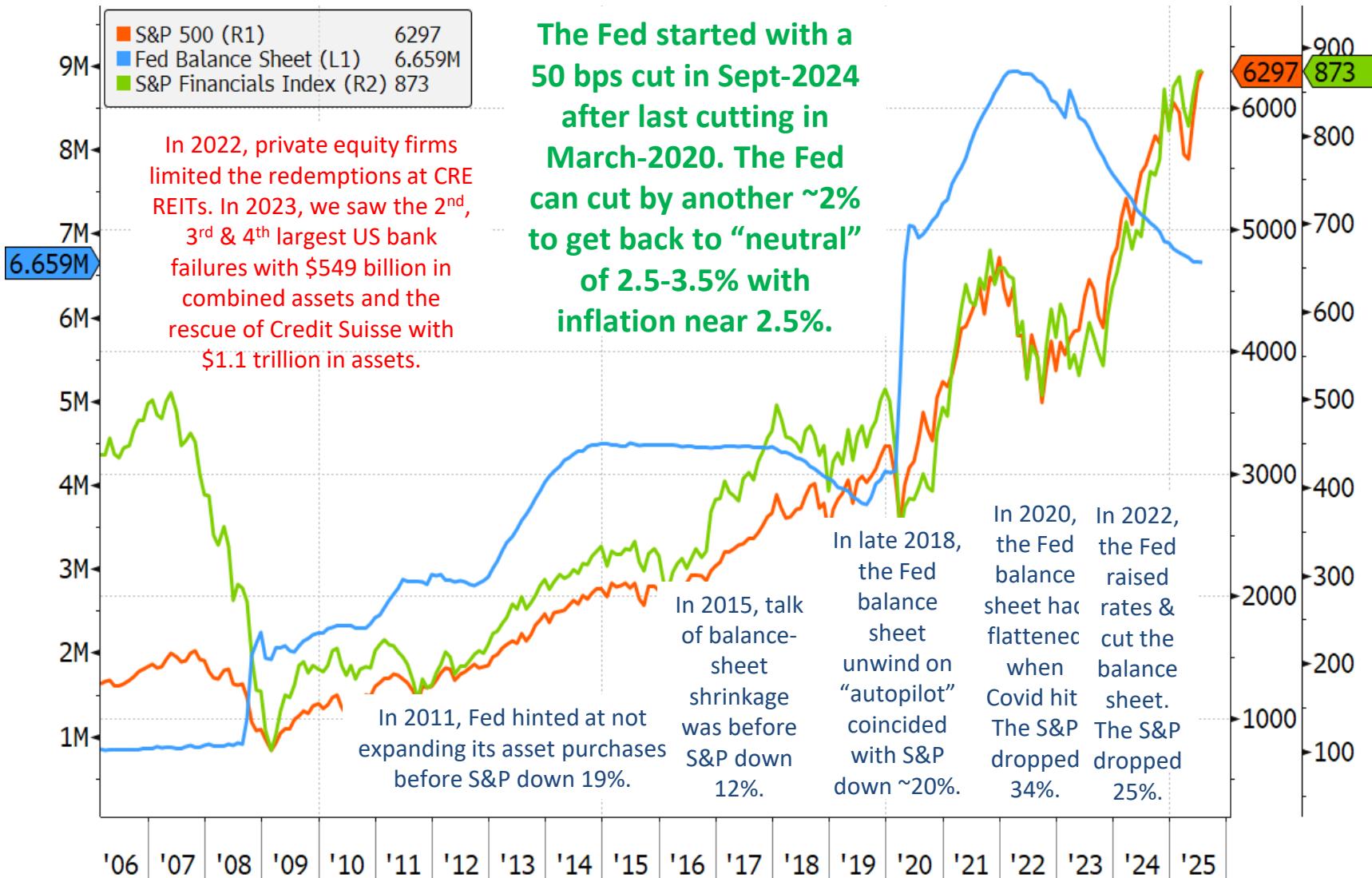
Rent Inflation Lags Home Prices Y/Y by 1-2 Years



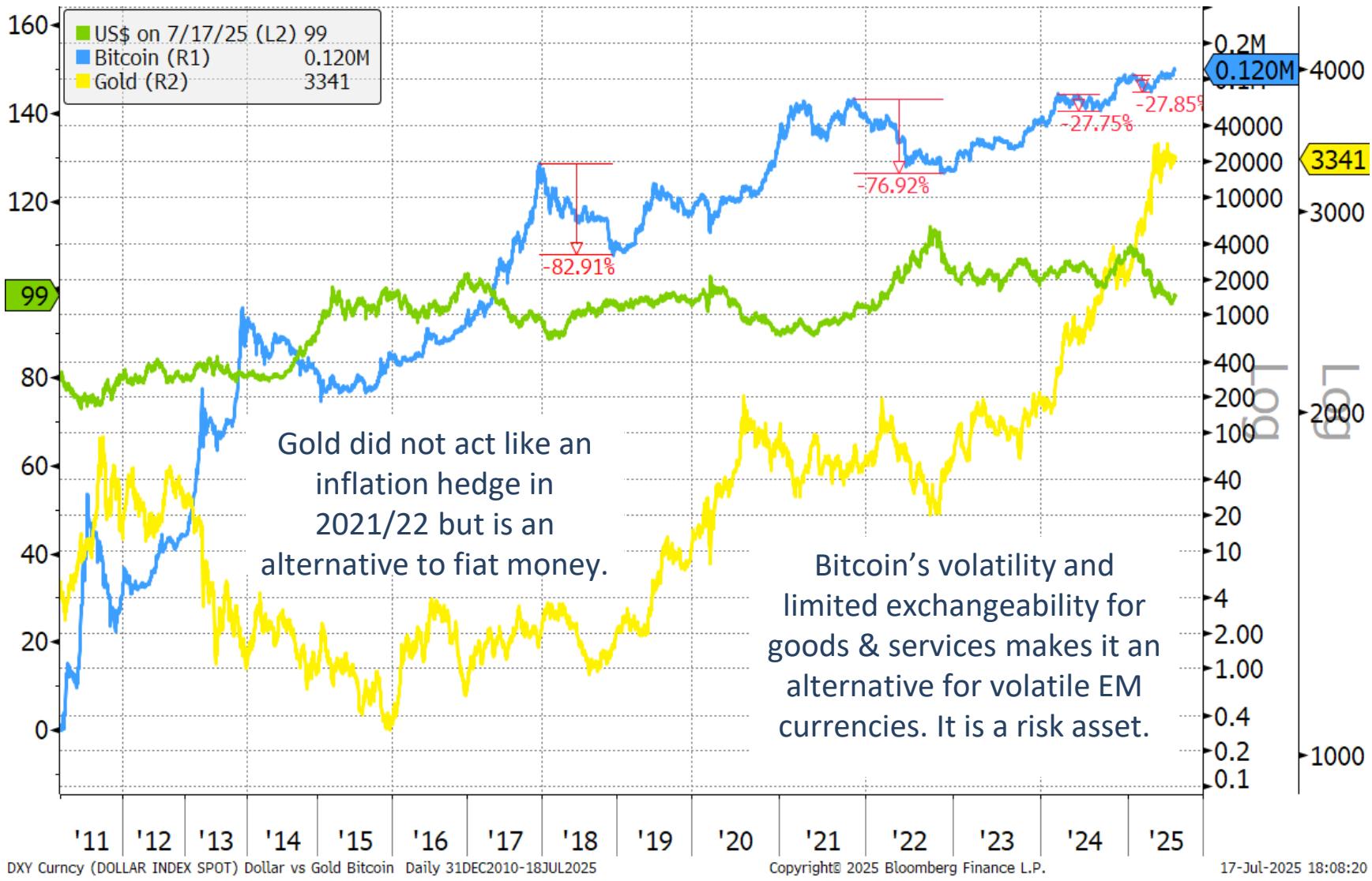
Global Growth weaker but Central Banks have been cutting



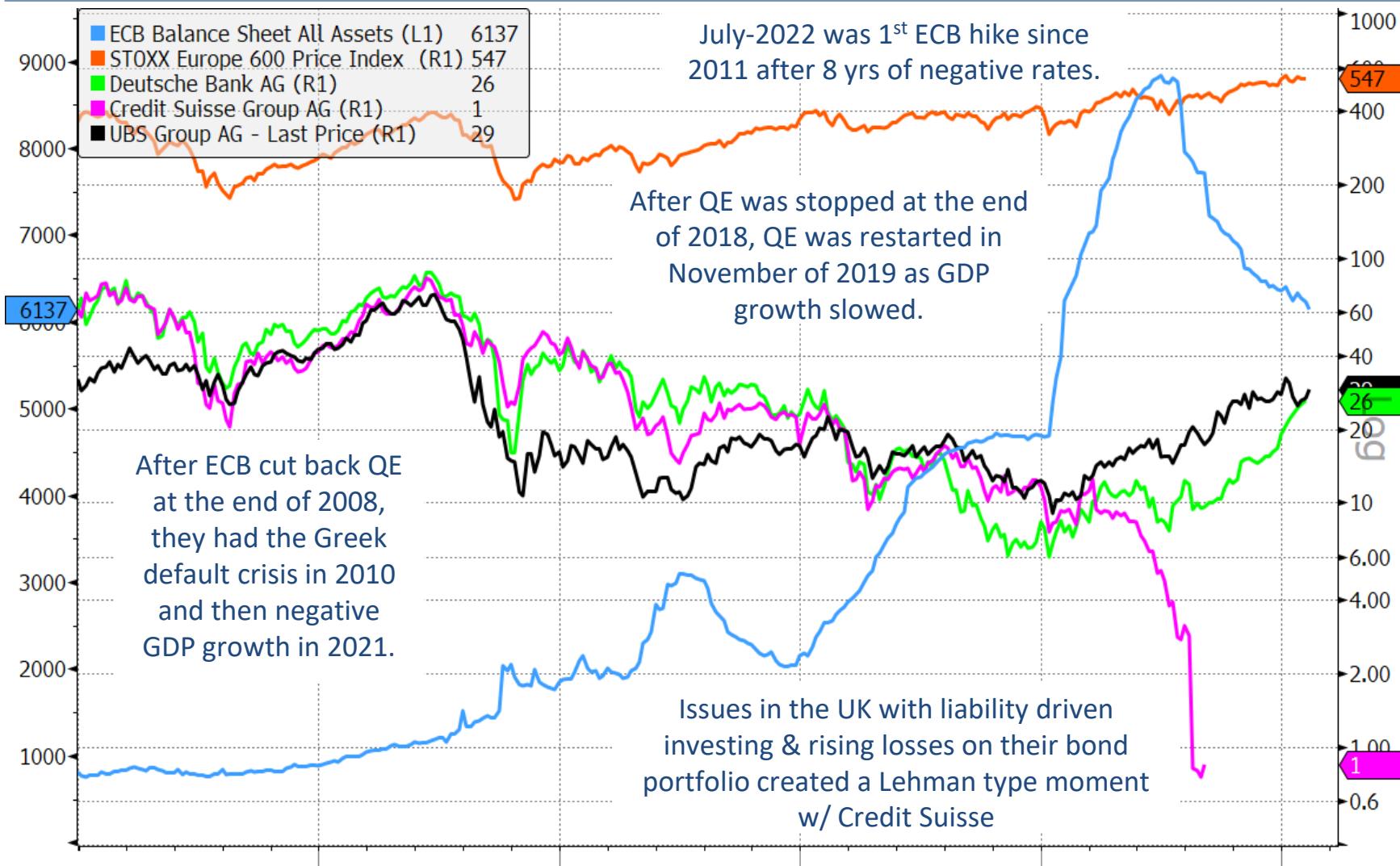
Fed aggressively cut rates to ensure a soft landing



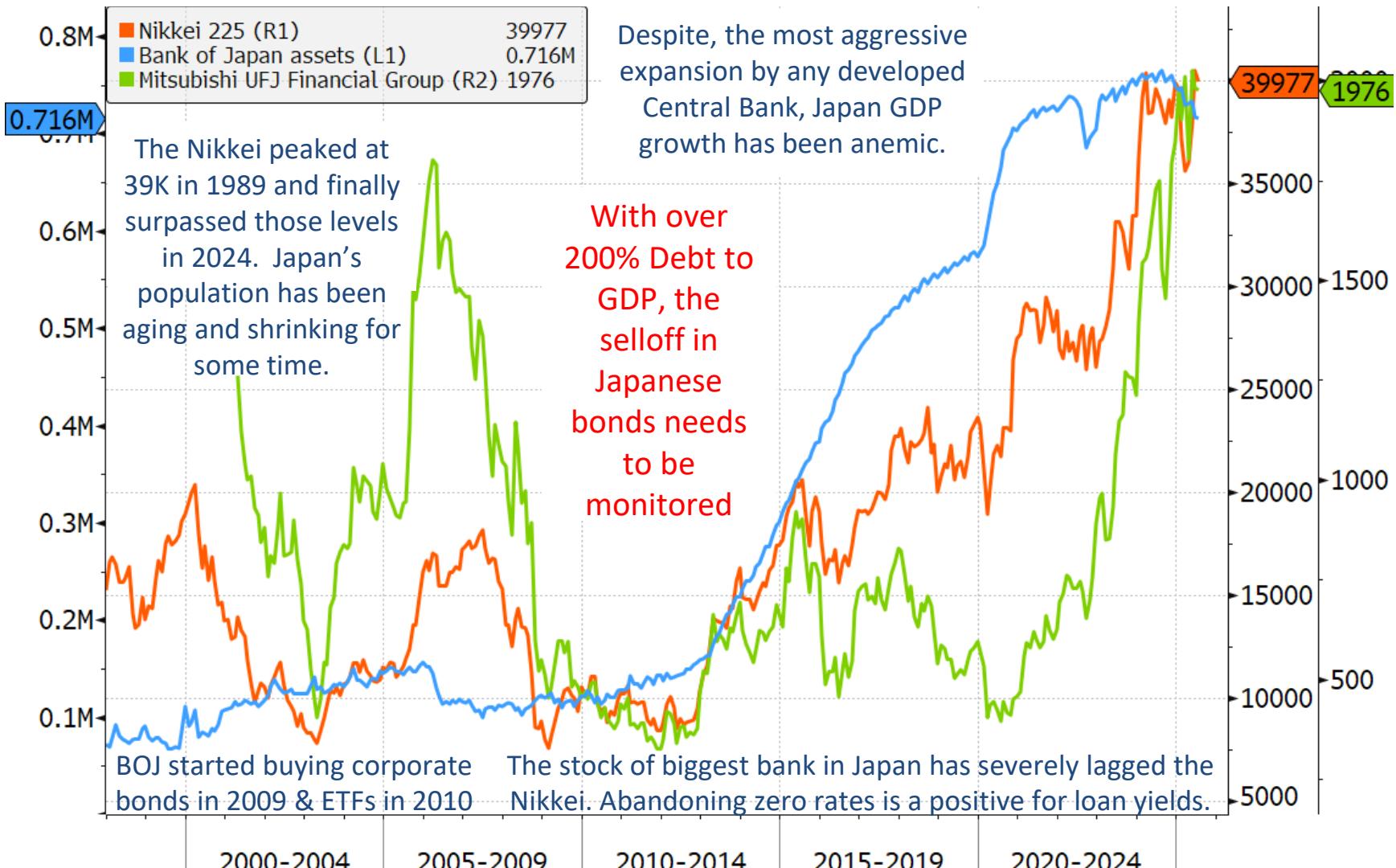
US\$ selling off but Gold & Bitcoin surging



ECB cut in Jun-2024 for 1st time since 2019 & could be finished



BOJ ended negative rates after 8 yrs & raised for 1st time in 17

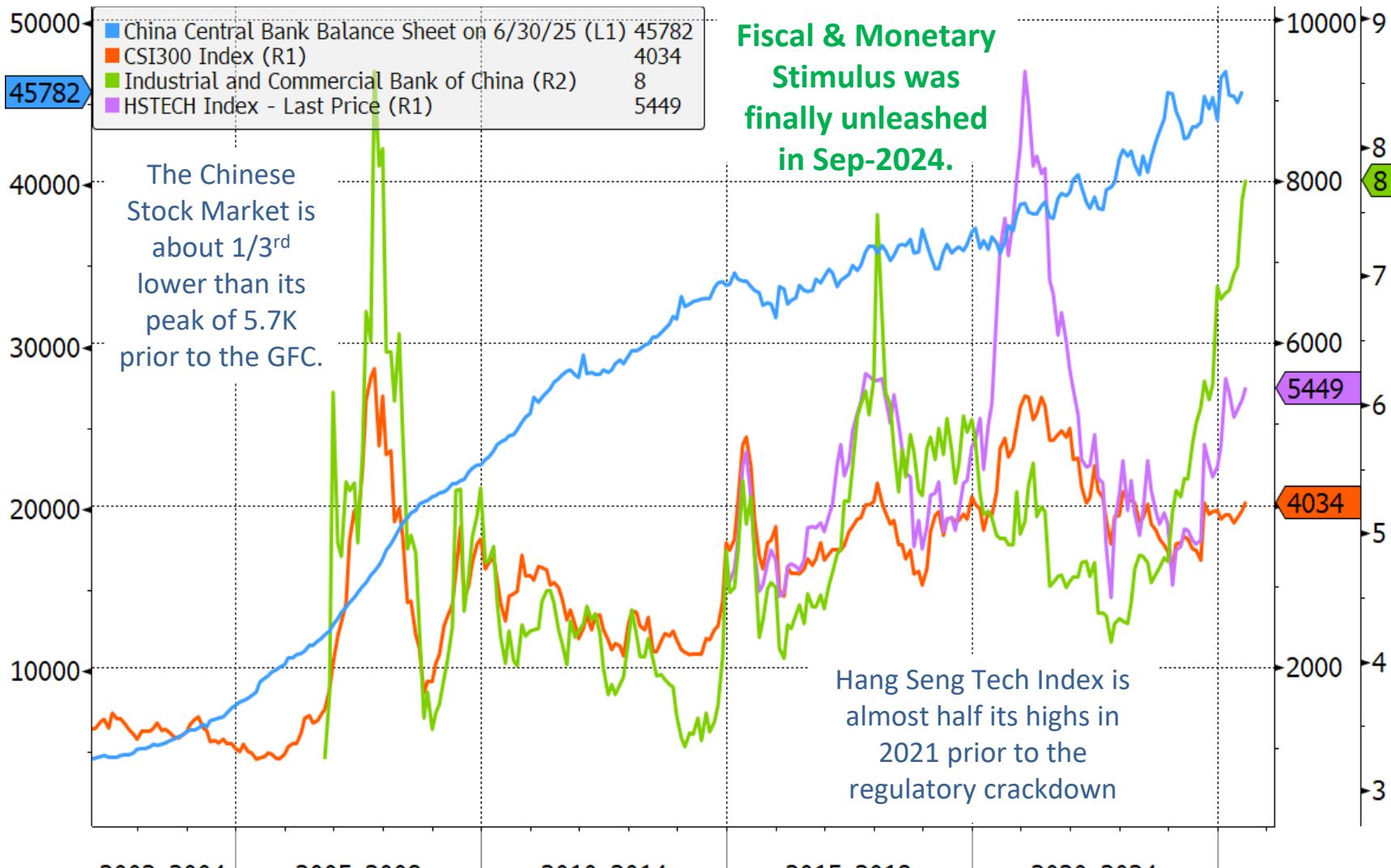


NKY Index (Nikkei 225) BOJ BS NKY MUFG Monthly 30DEC1997-18JUL2025

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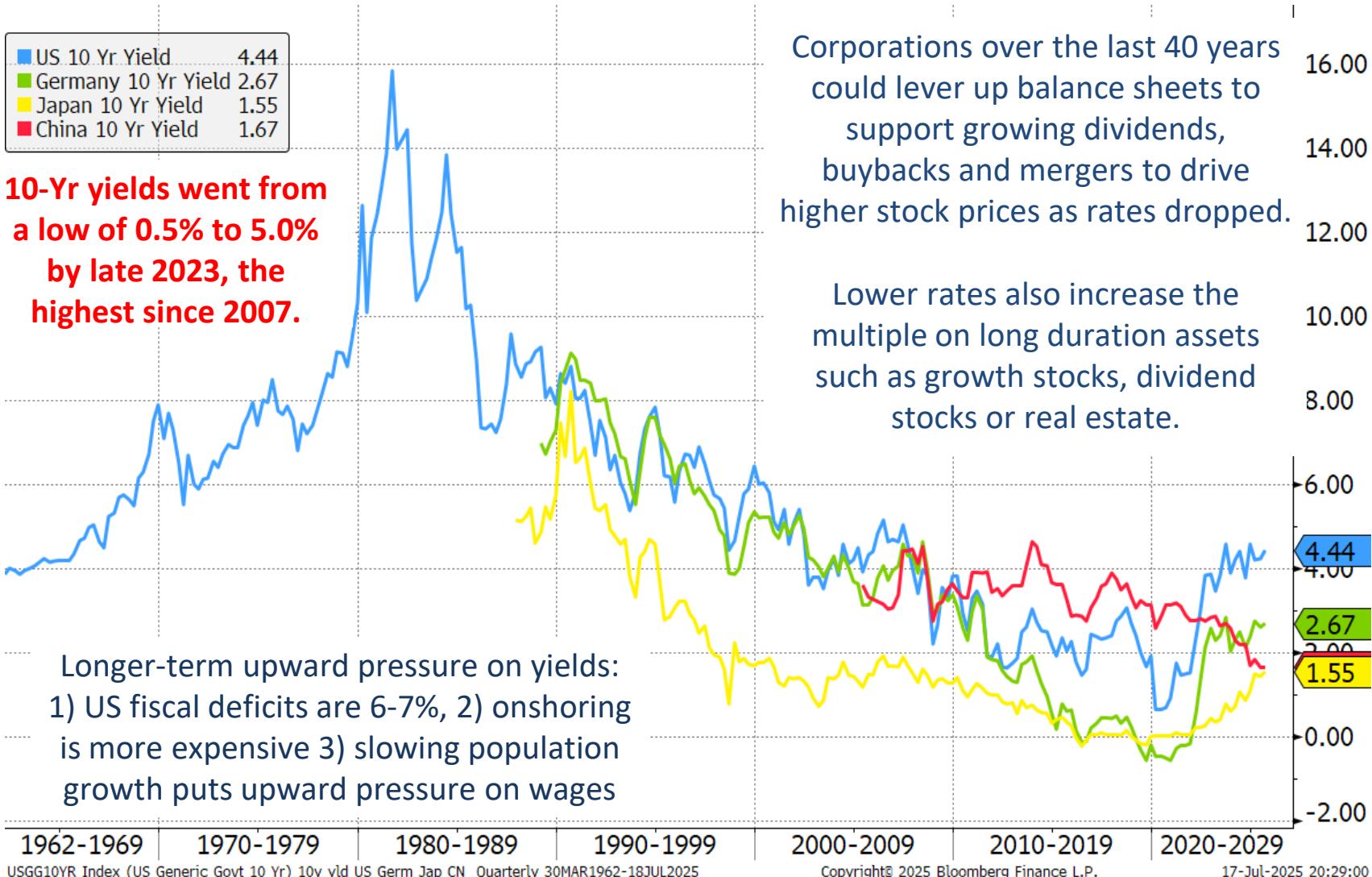
China Fiscal/Policy Stimulus likely more important vs Monetary



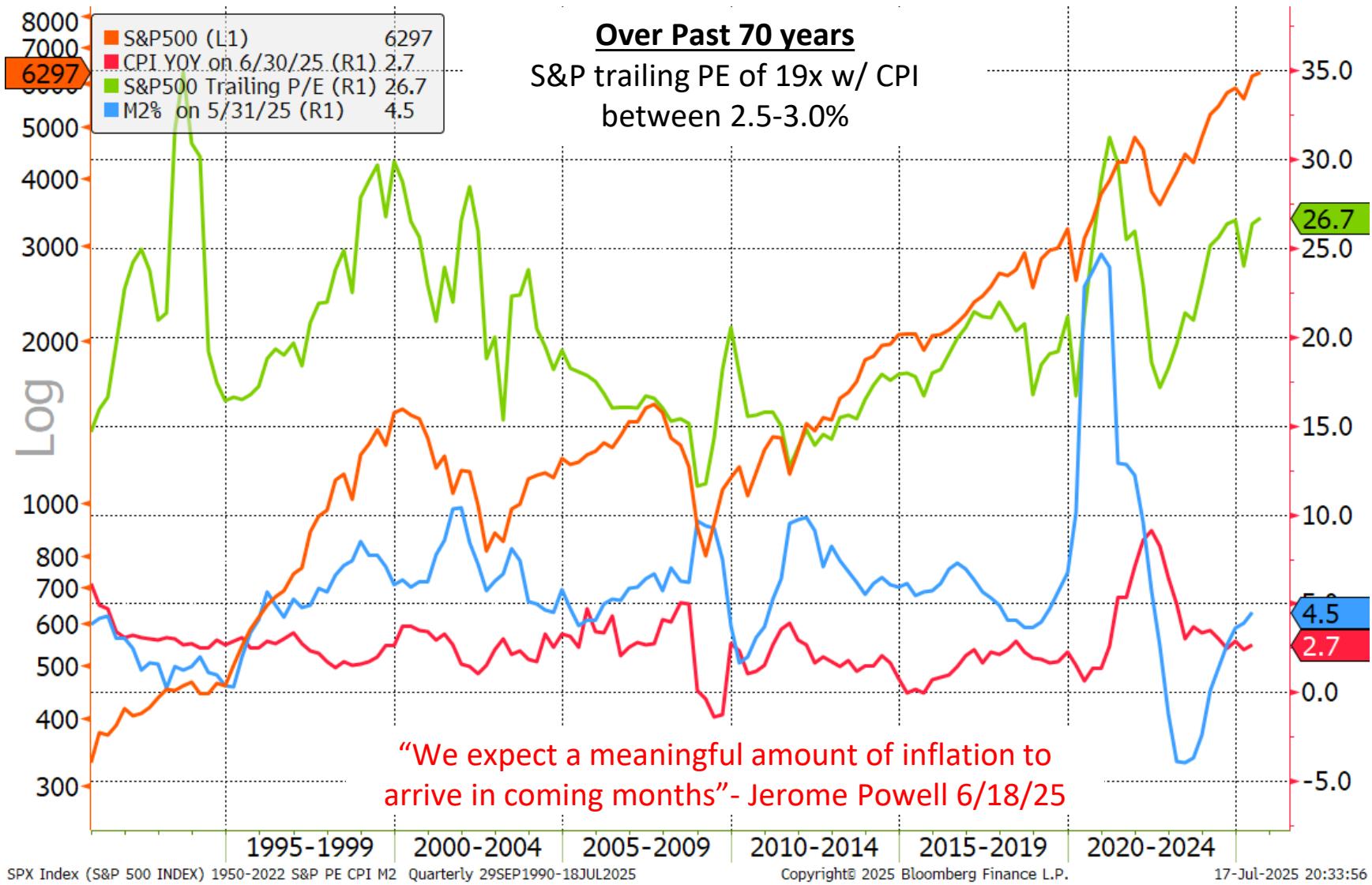
CNBMTAS Index (China Central Bank Balance Sheet - Total Assets) China balance sheet Monthly 31JAN2002-18JUL2025 Copyright © 2025 Bloomberg Finance L.P.

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Most important chart in the world: death of 40 yr bond bull mkt



S&P PE of ~25x is high relative to CPI of 2.5-3.0%

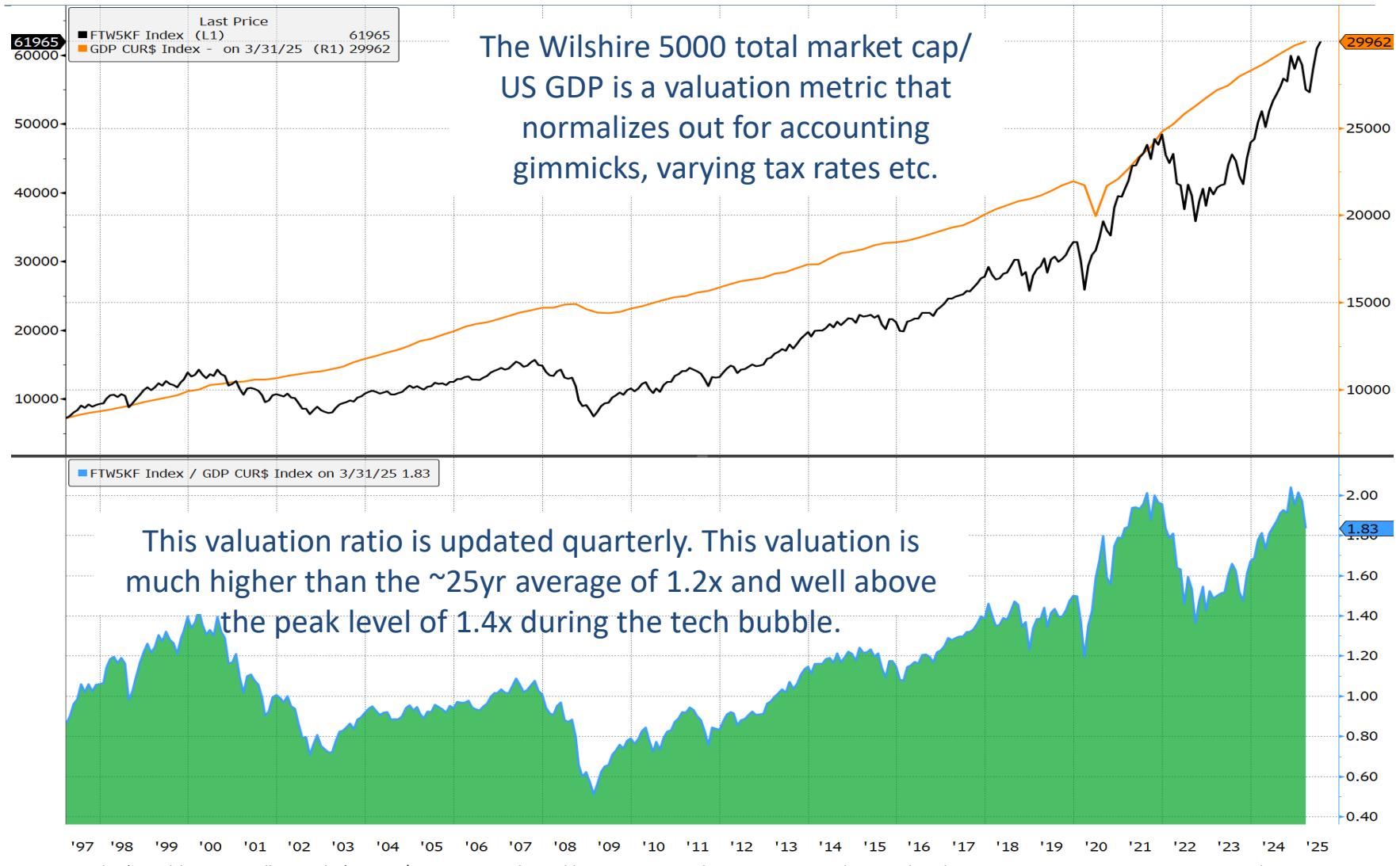


Shiller PE is very high by historical standards

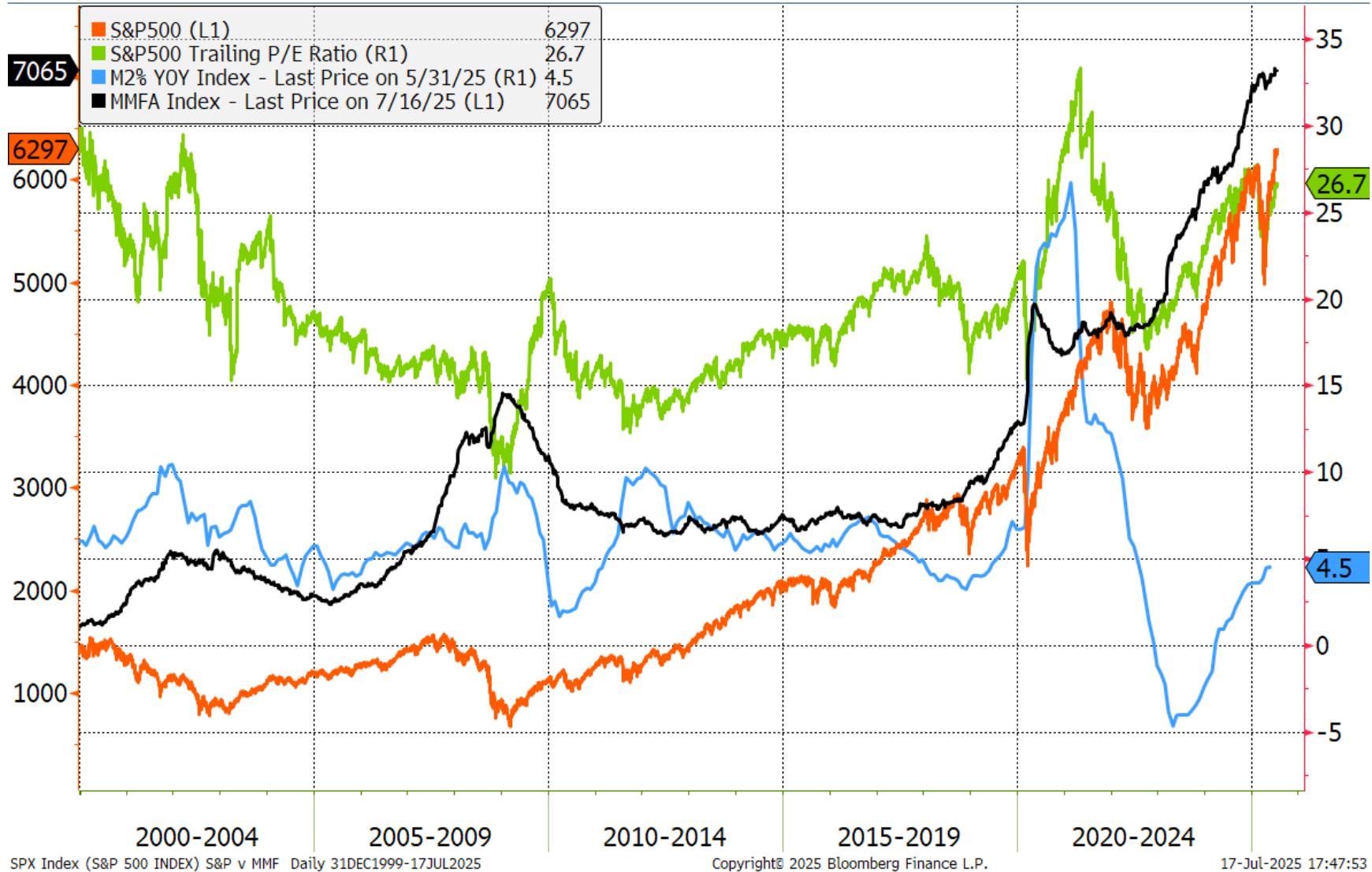
The Shiller PE ratio is based on average inflation-adjusted earnings from the previous 10 years, known as the Cyclically Adjusted PE Ratio (CAPE). This gives a more accurate picture of how expensive the market is given it captures earnings over a longer time period which will include depressed (2020) as well as inflated (2022) earnings.



US stock market total capitalization/GDP over highs of 2000



Money Market Funds are Potential Source of Equity Demand



Several Mega Trends Are Bullish for the Long Term



5G Infrastructure



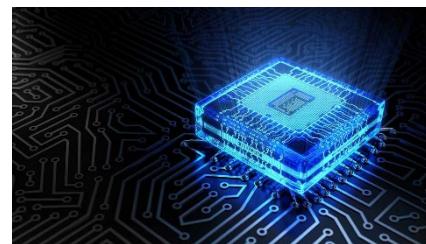
Cloud/DataCenter



Metaverse/AR/VR



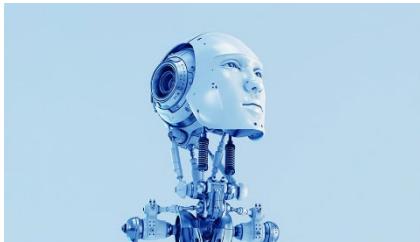
Green Energy



Semiconductor Enabled



EV/Autonomous Driving



AI & Autonomous
Robots

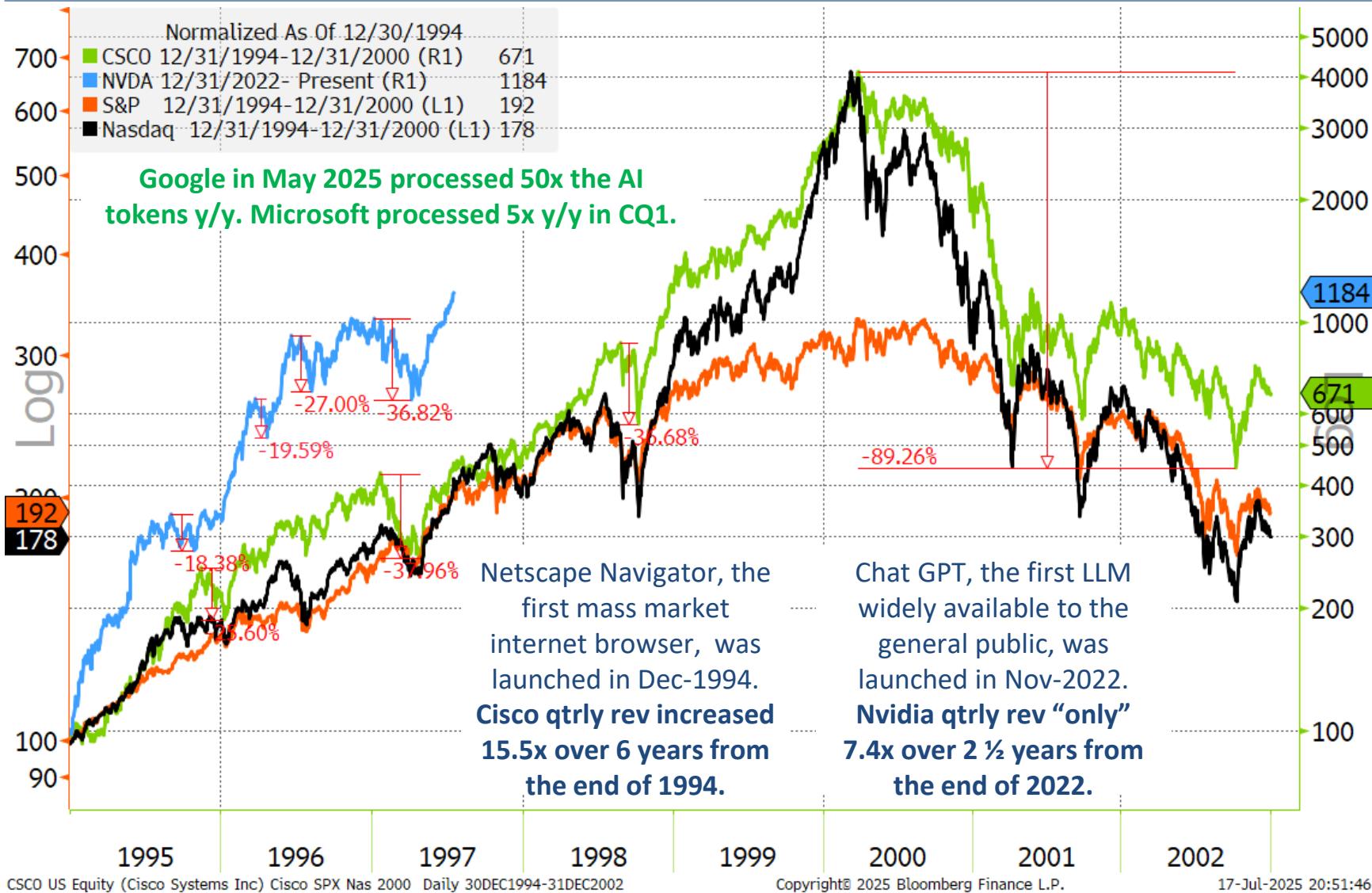


Smart Home



Internet of Things

AI Inference demand inflecting offsetting training slowdown



Technology Evolution is not Knowable- Survivorship Bias

Computing



COMPAQ

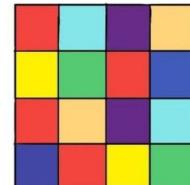


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INVESTMENT MANAGEMENT

Cellphones



Social Media



sixdegrees

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Browser /Search



Netscape

Ask Jeeves®

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Google

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Stock Market Investing is Faith in Humanity over the Long-Term

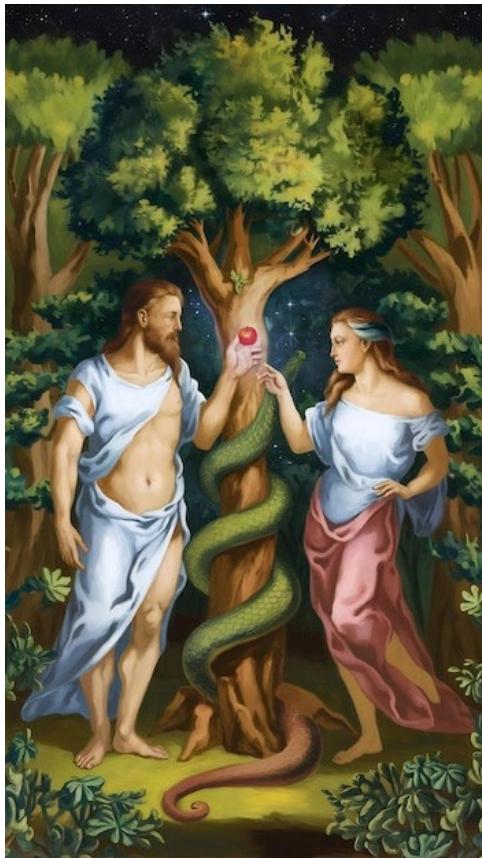
Population
Growth

+

Productivity

+

Inflation



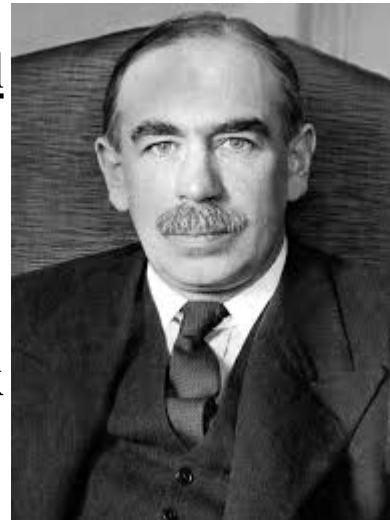
Investing is Basically Faith in Humanity over the Long-Term

1. Stk Mkt Appreciation=GDP Growth=Population Growth*Productivity*Inflation
2. Population Growth, Productivity Growth & Inflation all 2-3% per year growth
 1. Since 1927, S&P CAGR is 9.6% total return per yr
 2. Since 1971, Nas CAGR 10.4% & S&P 10.7% total return per yr
3. Stock Price = Valuation (PE) * Earnings
4. Valuation is the biggest driver short-term of stock prices (Fear vs Greed)
5. Fiscal & Monetary Policy more important than fundamentals short-term
 1. Global Pandemic = S&P +14% in 2020 due to unprecedented stimulus
 2. CPI 1.4% to 7.0% = S&P +27% in 2021 as inflation viewed as transitory
6. S&P rallies of 10-14% are common during bear markets that lose 50%
7. It was 15 years for the S&P to regain the highs of 2000

Managing Risk & Adaptability is Key During Technology Shifts

Manage Risk- Most under rated skill

- 1) -50% needs +100% to breakeven
- 2) PE ratio is a measure of risk
- 3) Have a margin of safety
- 4) 15yrs for S&P to regain 2000 peak

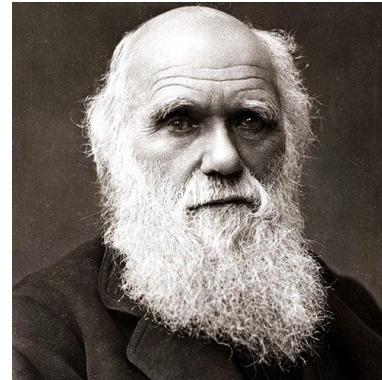


"Markets can remain irrational longer than you can remain solvent."

-Keynes

Remain Adaptable to Change

- 1) Invest in mega trends
- 2) Ultimate winner is unknowable
- 3) Stocks go to extremes both +/-
- 4) Nasdaq -78% post internet build



"It is not the strongest nor the most intelligent of species that survives, but the one that is most adaptable to change."

-Darwin

Have Faith in Humanity but Manage your Risk & stay Adaptable

AI will change the world but risks abound and the market valuation is high



About Daniel T. Niles

Daniel T. Niles
Founding Partner & Portfolio Manager
Niles Investment Management

Dan Niles is currently the founder and portfolio manager at Niles Investment Management. He has been a portfolio manager for over 20 years. He was also formerly a founding partner of Alpha One Capital Partners from 2009 to 2019, an investment management firm serving institutional and high net-worth investors. From 2004 to 2008, Dan was a Managing Director at Neuberger Berman, Inc., and Chief Executive Officer of Neuberger Berman Technology Management which focused on long and short equity investments in the technology sector

Prior to his career as a money manager, Dan was a sell-side research analyst for ten years with Robertson, Stephens and then Lehman Brothers.

From 1990 to 1994, Dan was an investment banker at Robertson, Stephens and specialized in technology transactions. These included mergers and acquisitions, initial public offerings, secondaries, and convertible debt offerings.

Before starting his Wall Street career, Dan was an engineer with Digital Equipment Corporation. Dan received a Bachelor of Science in Systems Engineering from Boston University and a Master of Science in Electrical Engineering from Stanford University.

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