

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



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

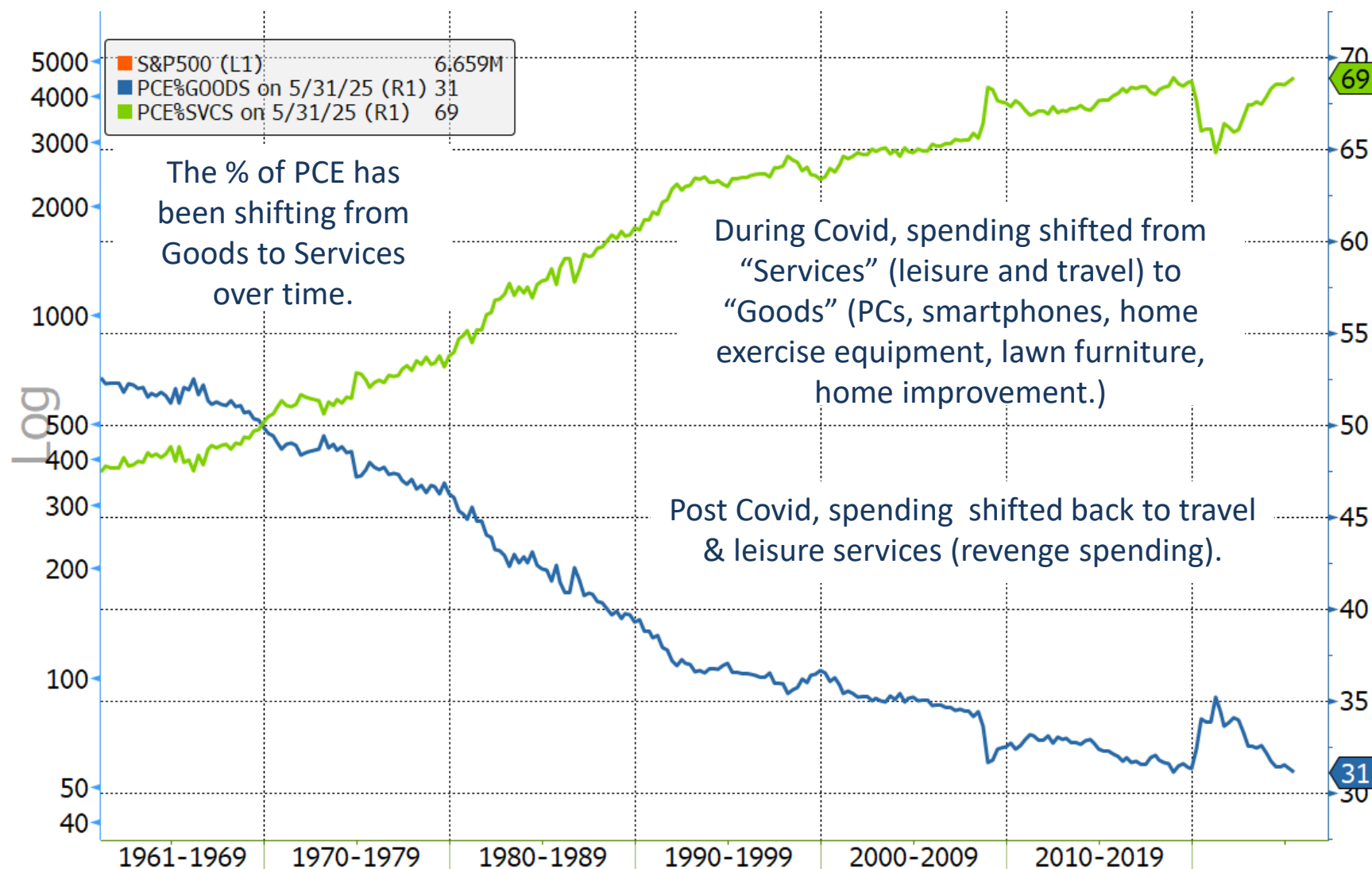


SPX Index (S&P 500 INDEX) 1994-1995 Soft Landing Daily 31DEC1993-31DEC1995

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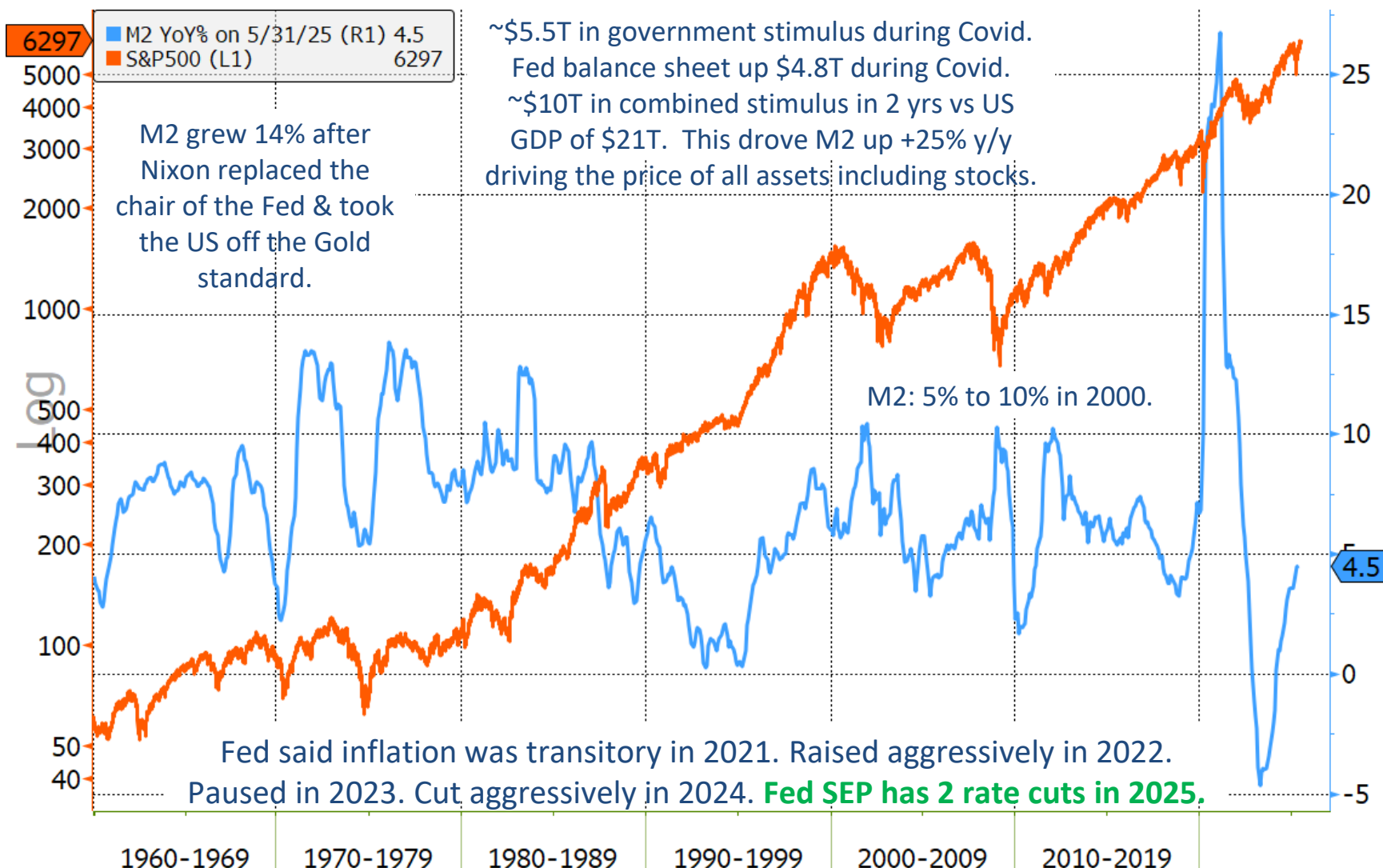
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Services at ~70% of economy not impacted as much by Tariffs



M2% YOY Index (Federal Reserve Money Supply M2 YoY % Change) Goods vs Svcs Spend Quarterly 31MAR1961-18JUL2025 Copyright© 2025 Bloomberg Finance L.P. 17-Jul-2025 19:33:45

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

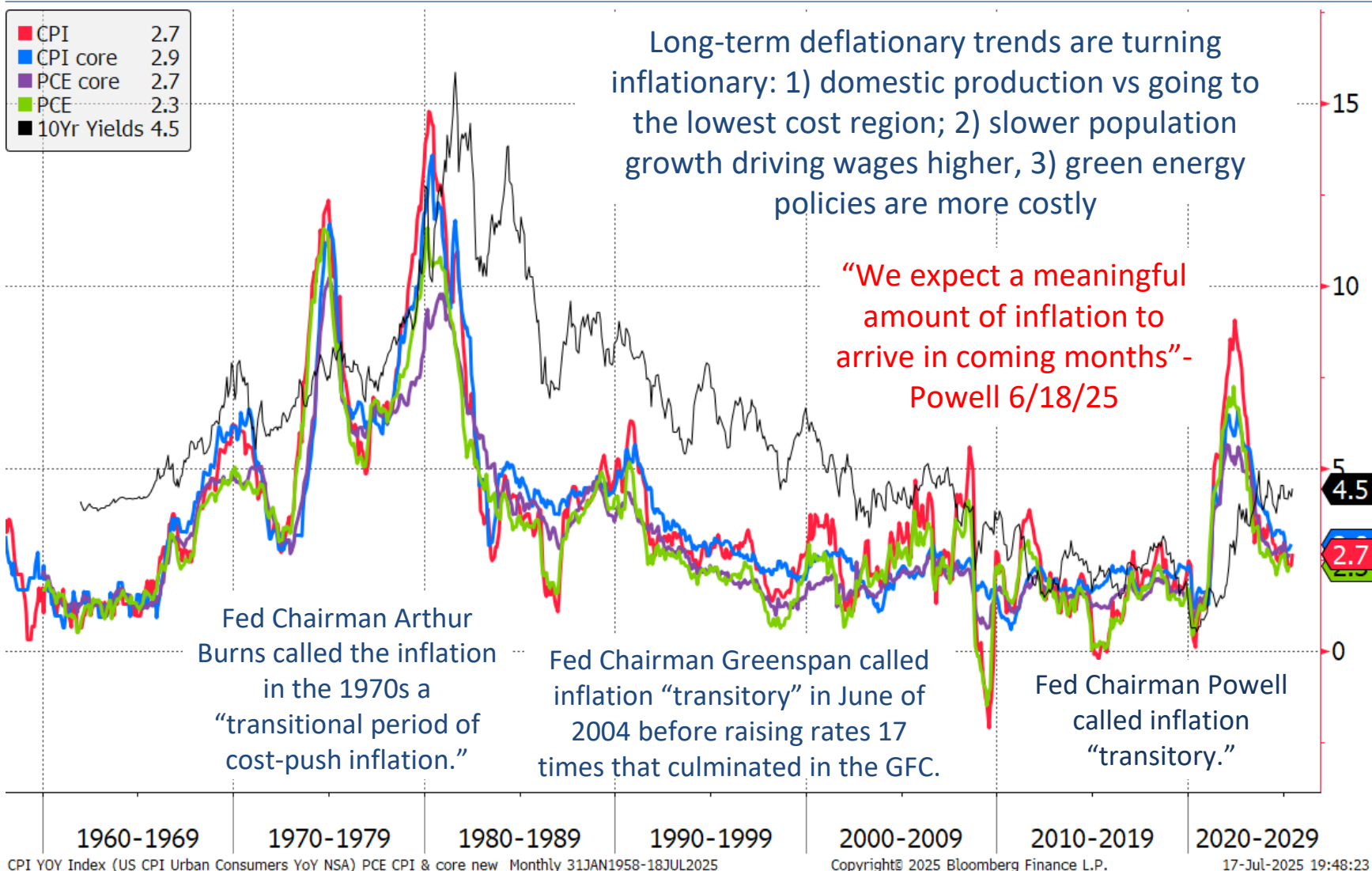


M2% YOY Index (Federal Reserve Money Supply M2 YoY % Change) M2 vs S&P Daily 31DEC1959-18JUL2025

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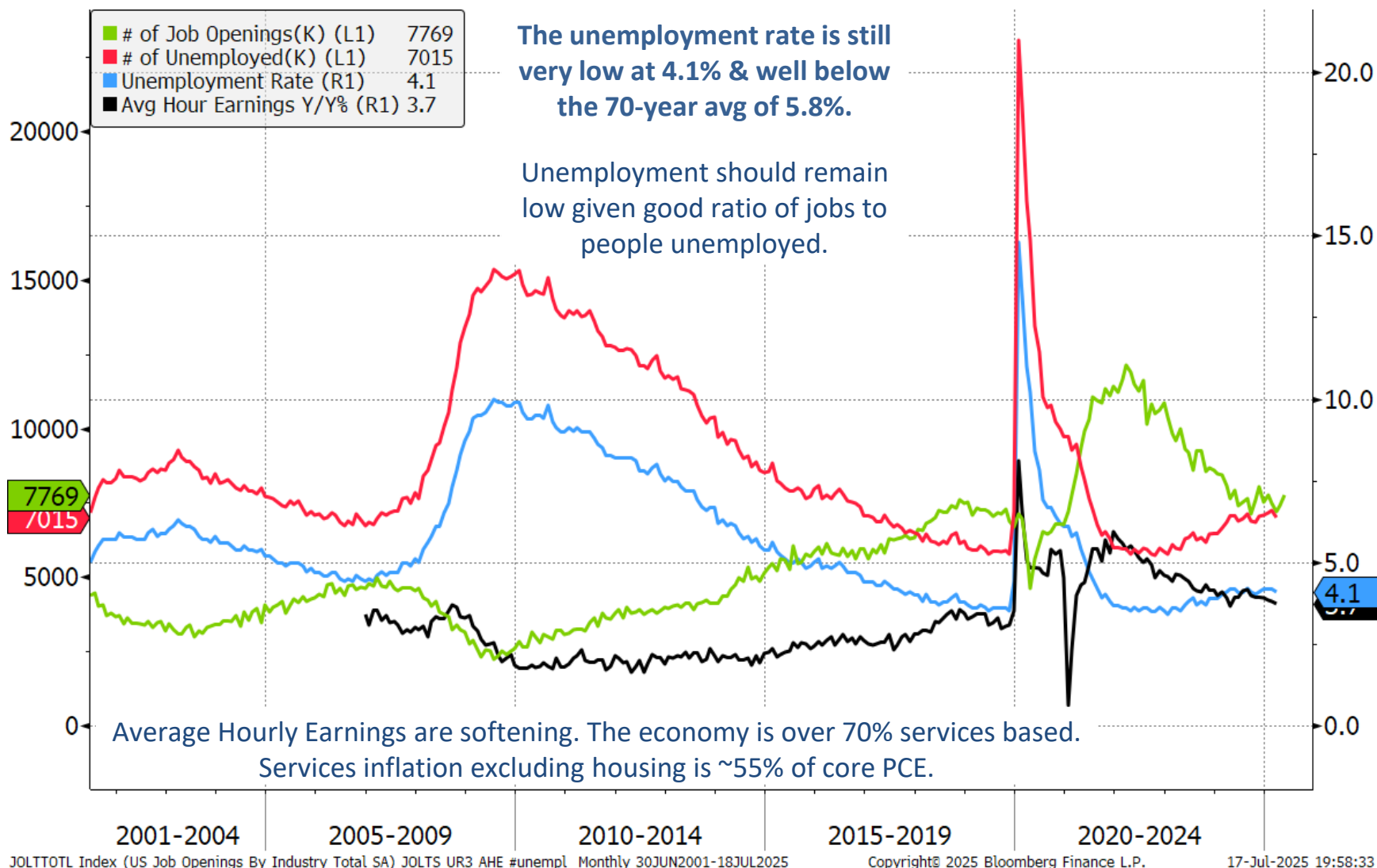
Inflation uncertain- tariffs drive inflation but lower growth



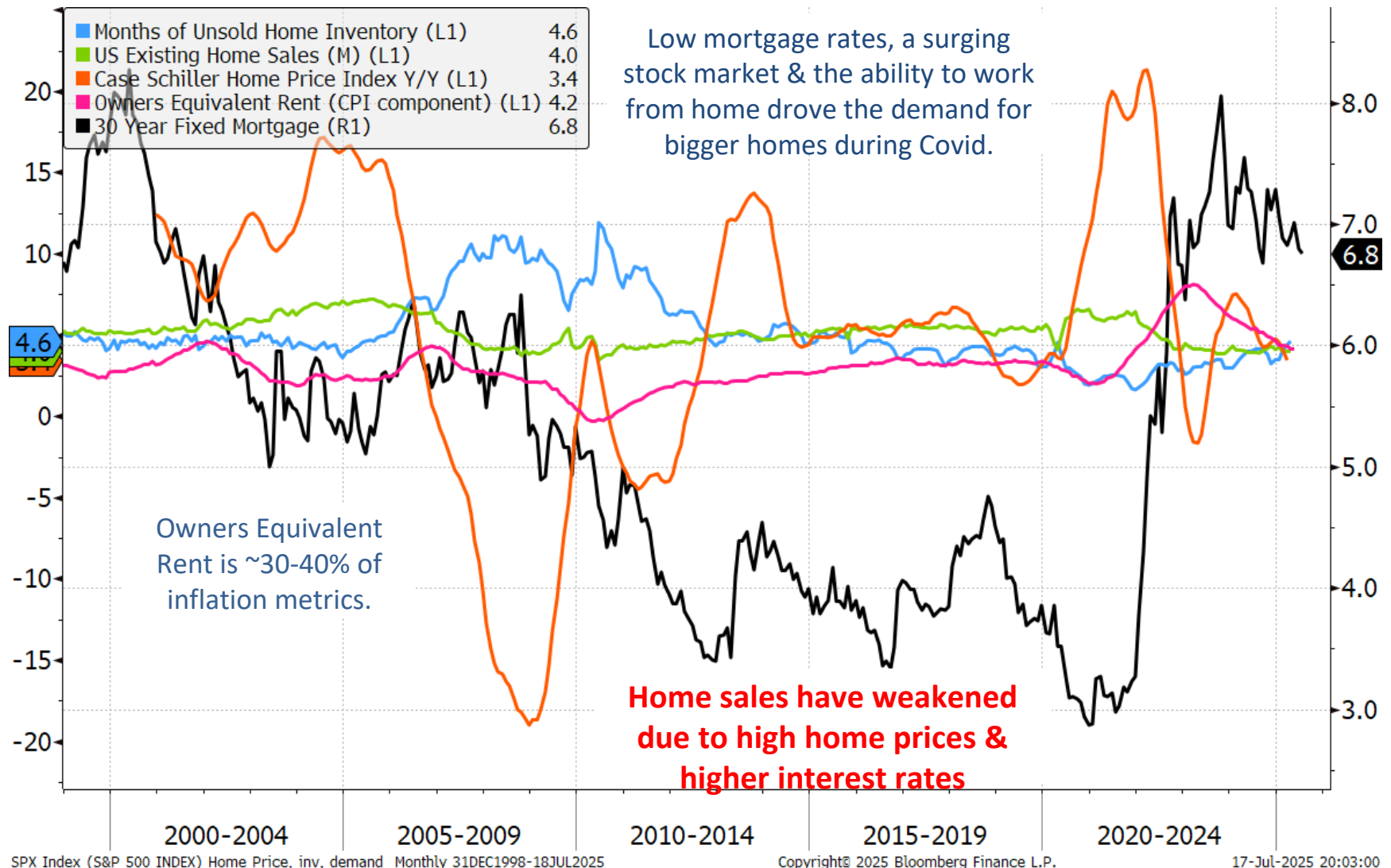
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Job Openings in-line with Unemployed keeps Economy Solid



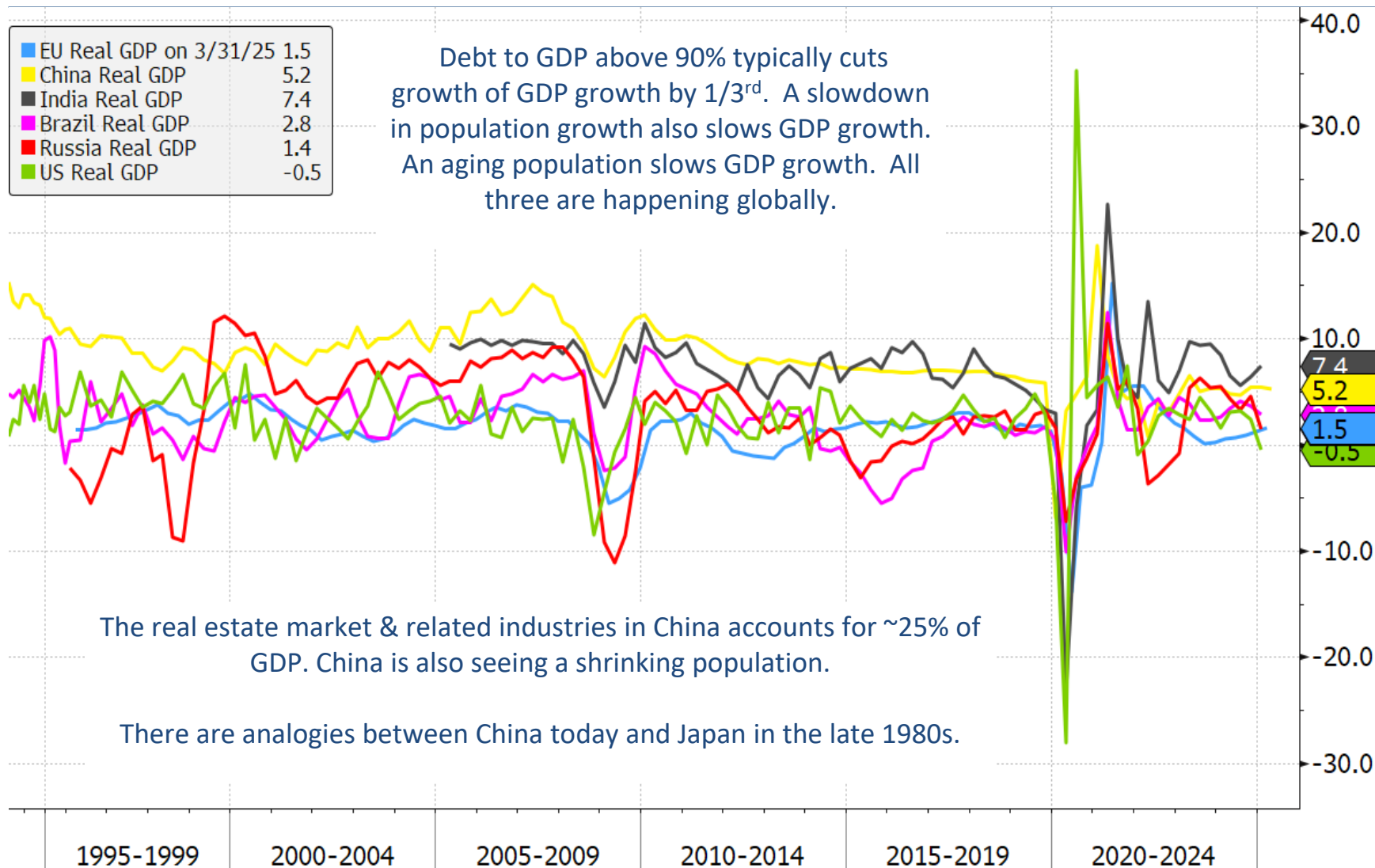
Rent Inflation Lags Home Prices Y/Y by 1-2 Years



Global Growth weaker but Central Banks have been cutting

EU Real GDP on 3/31/25	1.5
China Real GDP	5.2
India Real GDP	7.4
Brazil Real GDP	2.8
Russia Real GDP	1.4
US Real GDP	-0.5

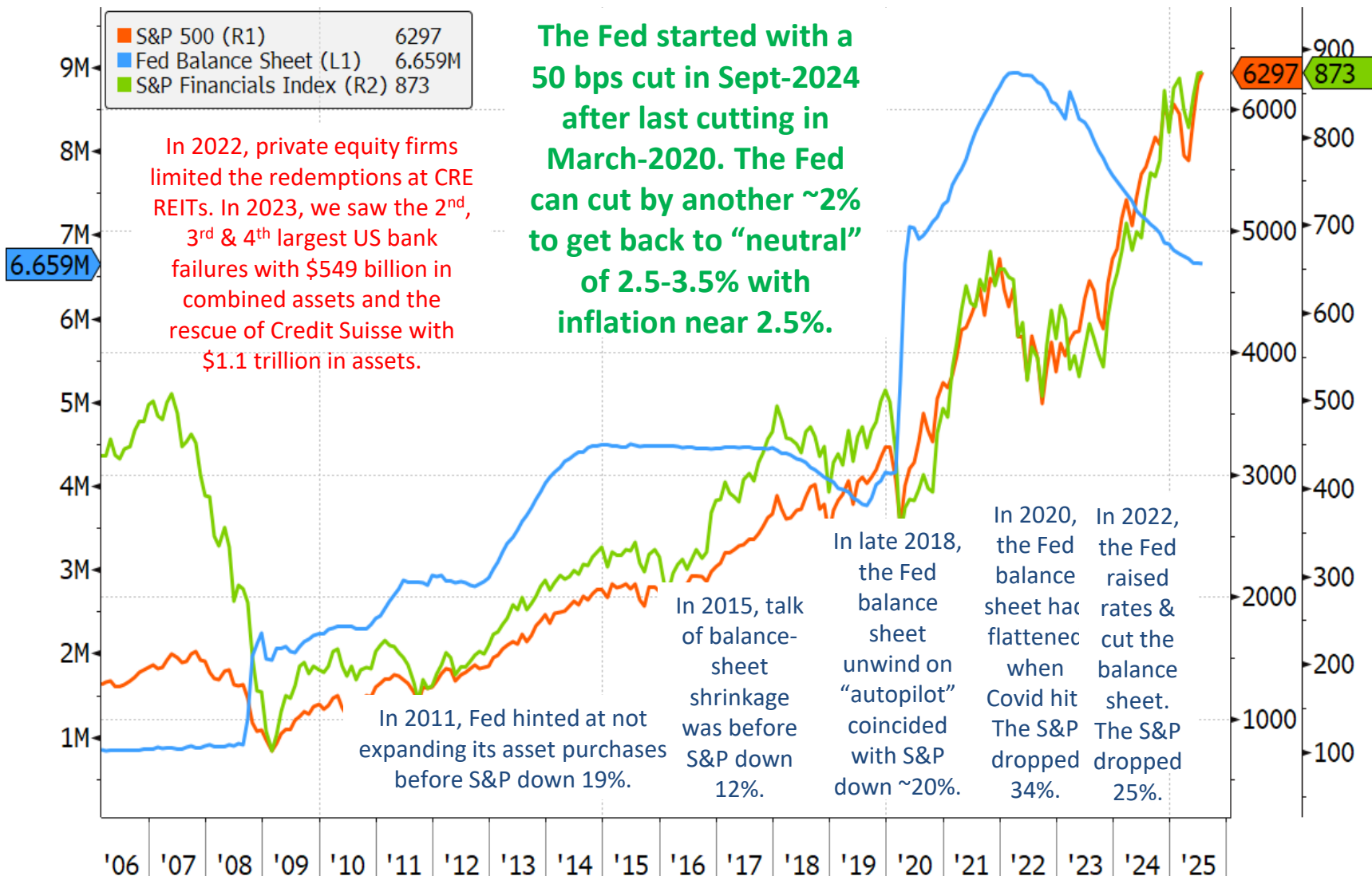
Debt to GDP above 90% typically cuts growth of GDP growth by 1/3rd. A slowdown in population growth also slows GDP growth. An aging population slows GDP growth. All three are happening globally.



The real estate market & related industries in China accounts for ~25% of GDP. China is also seeing a shrinking population.

There are analogies between China today and Japan in the late 1980s.

Fed aggressively cut rates to ensure a soft landing

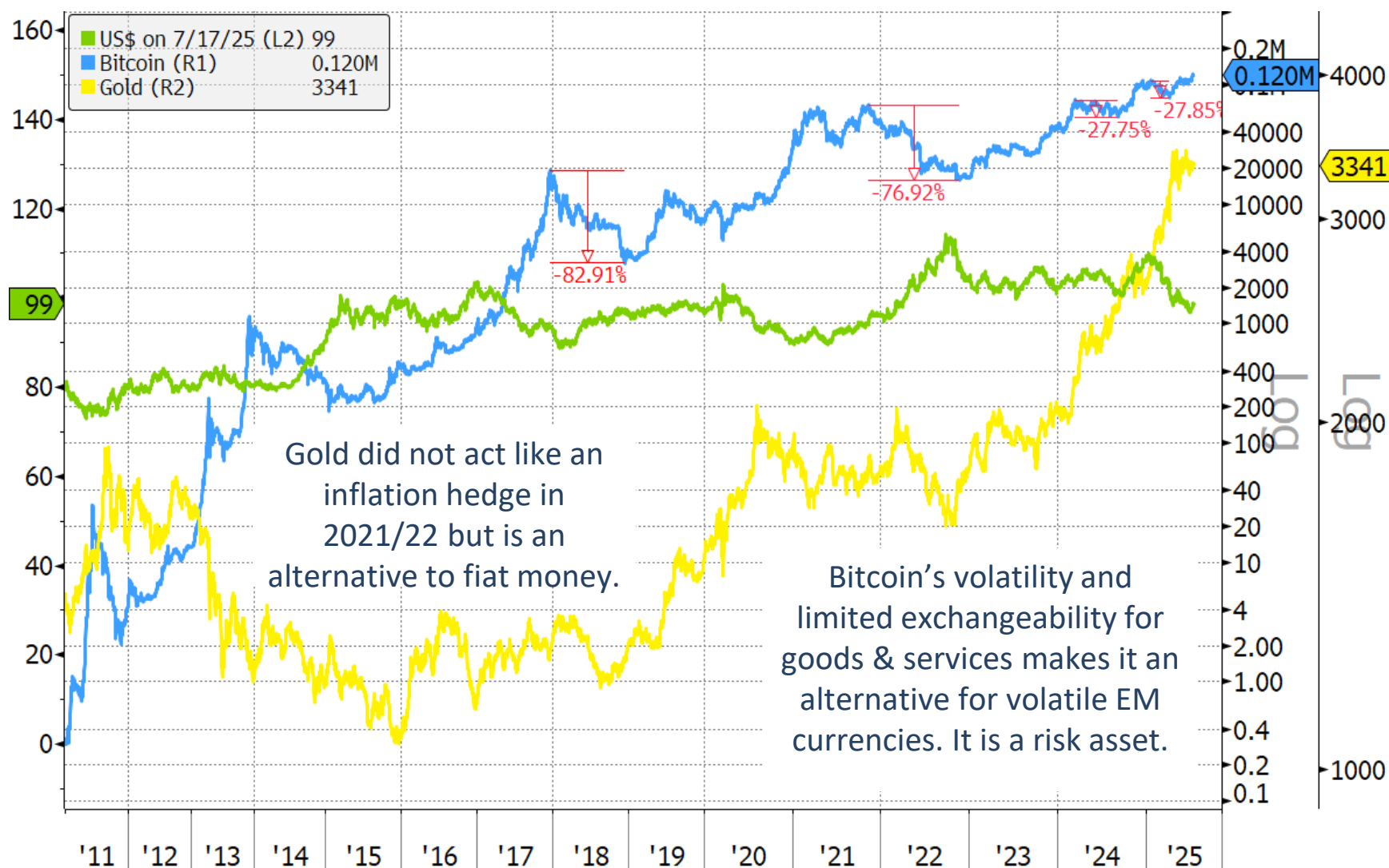


SPX Index (S&P 500 INDEX) FedBS v SPX vFinancials Monthly 28FEB2006-18JUL2025

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US\$ selling off but Gold & Bitcoin surging

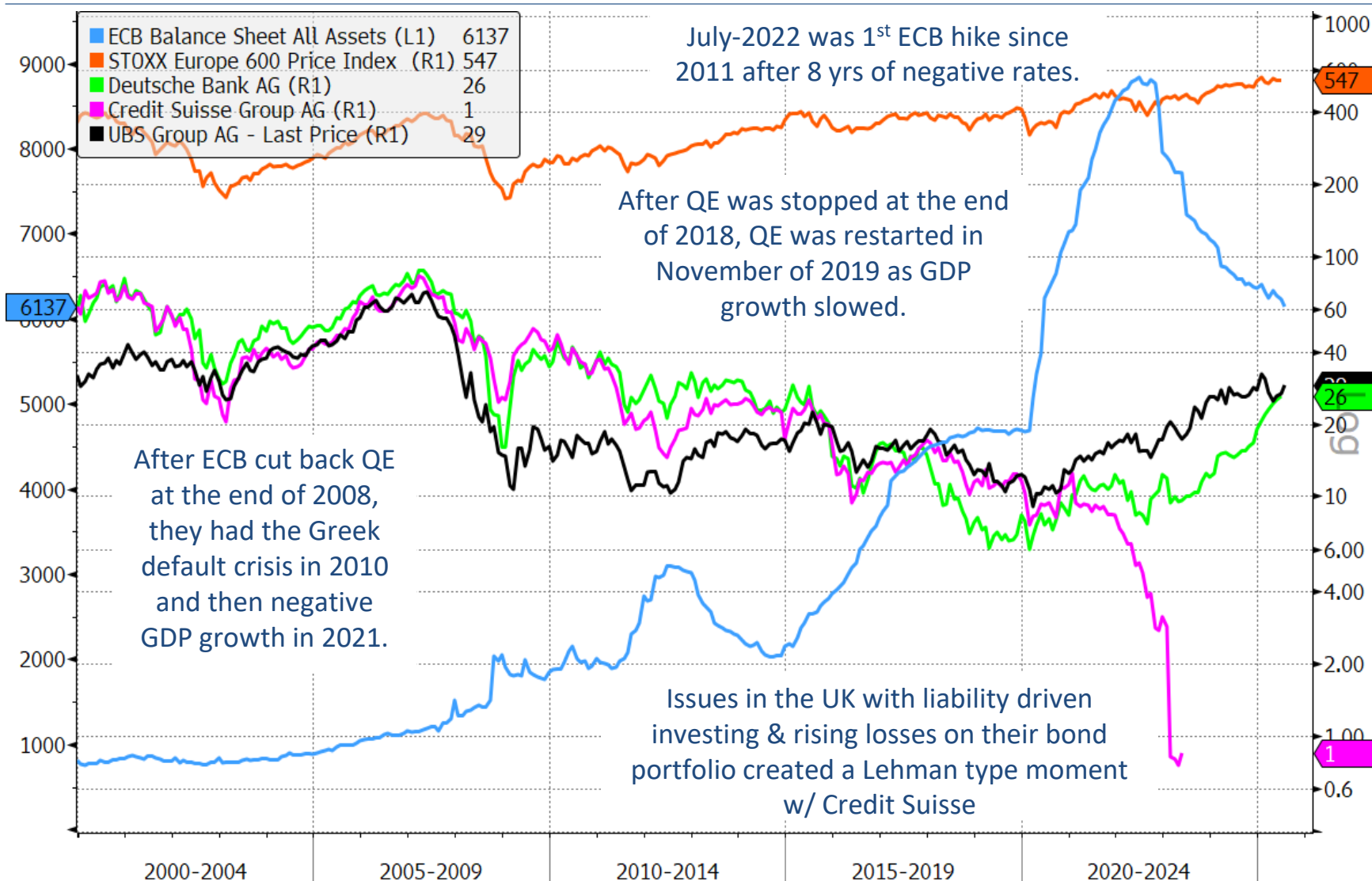


DXY Curncy (DOLLAR INDEX SPOT) Dollar vs Gold Bitcoin Daily 31DEC2010-18JUL2025

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

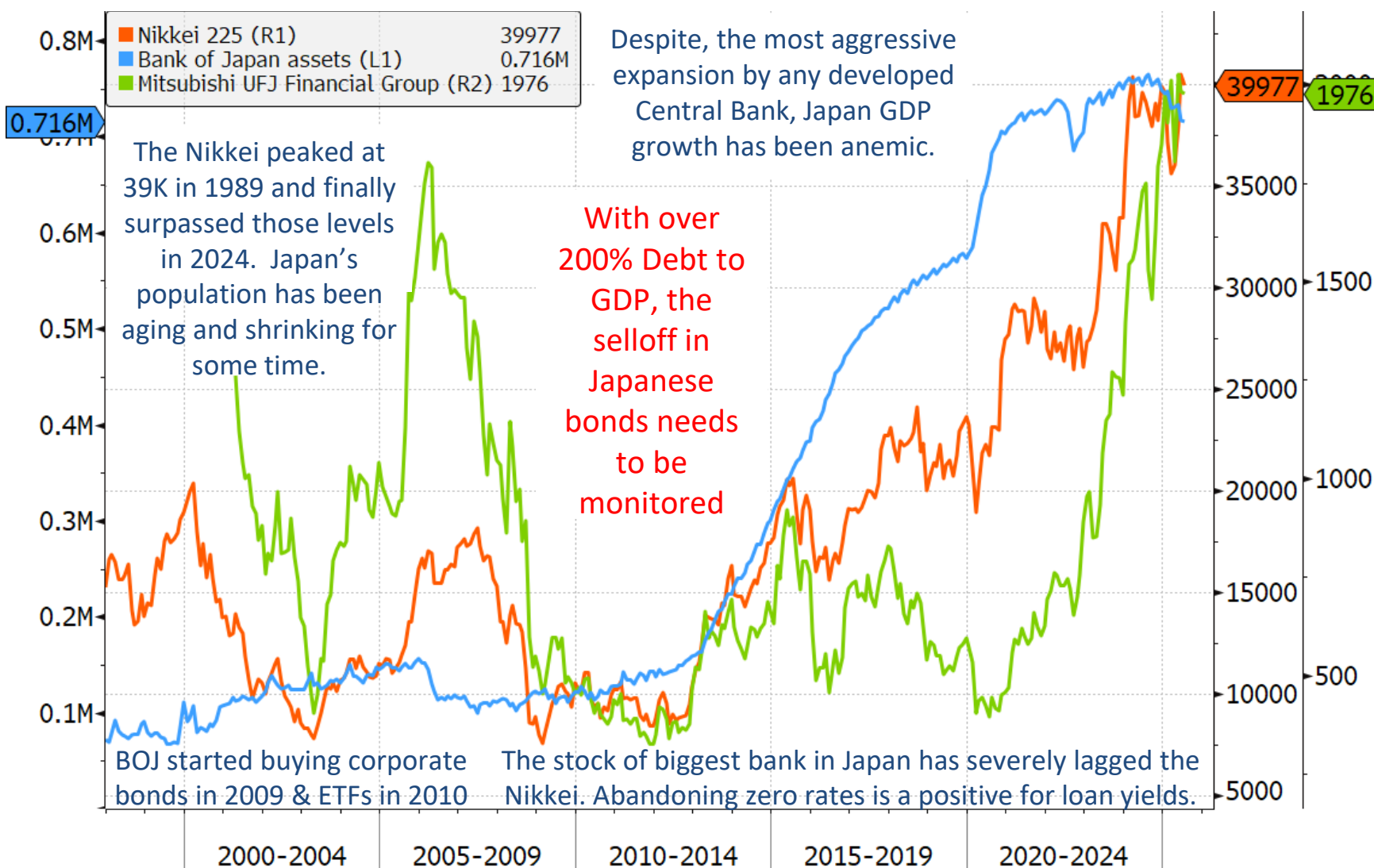


EBBSTOTA Index (ECB Balance Sheet All Assets) ECB BS vs CS DB SXXP Monthly 31DEC1999-18JUL2025

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

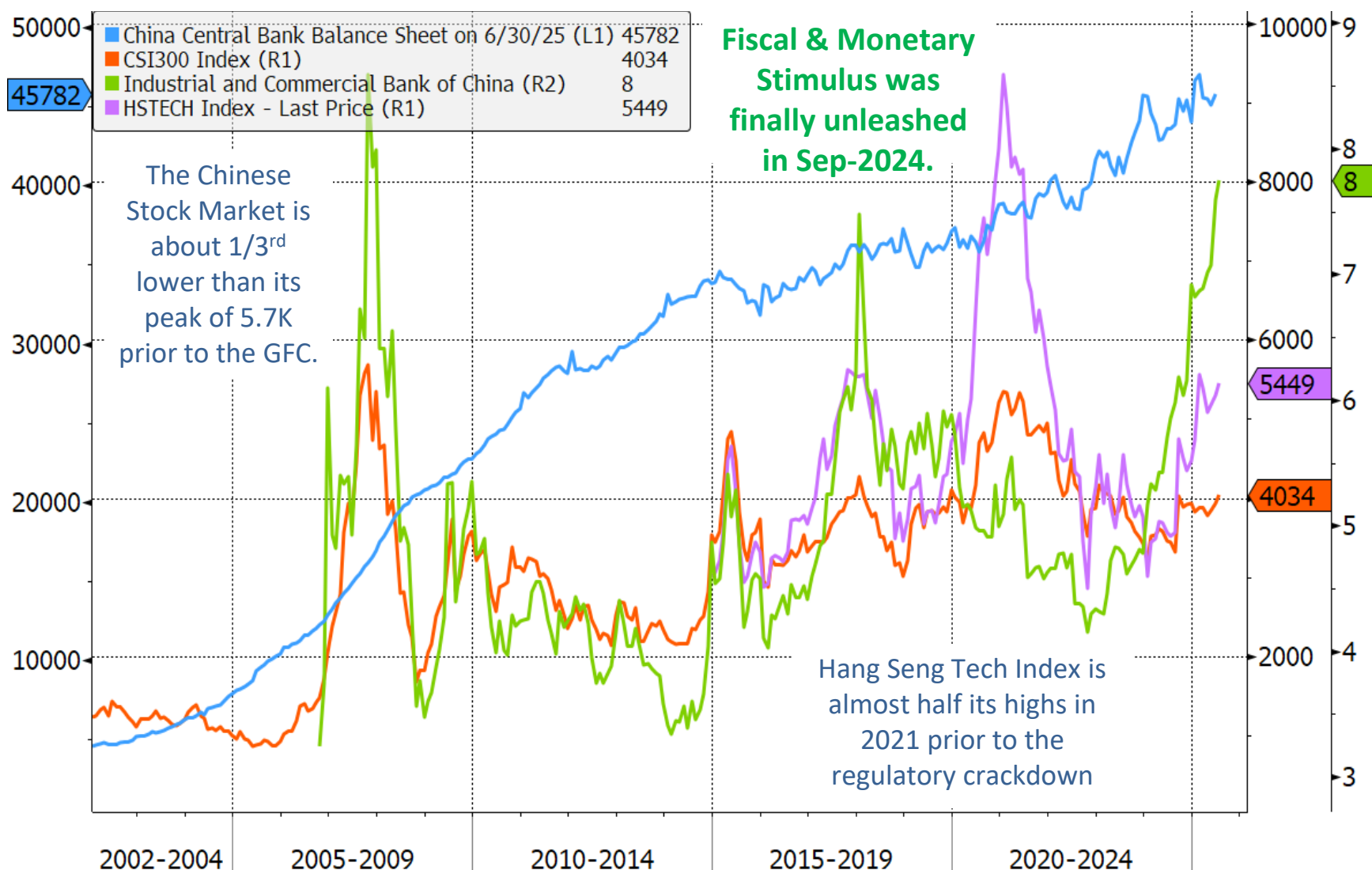


NKY Index (Nikkei 225) BOJ BS NKY MUFG Monthly 30DEC1997-18JUL2025

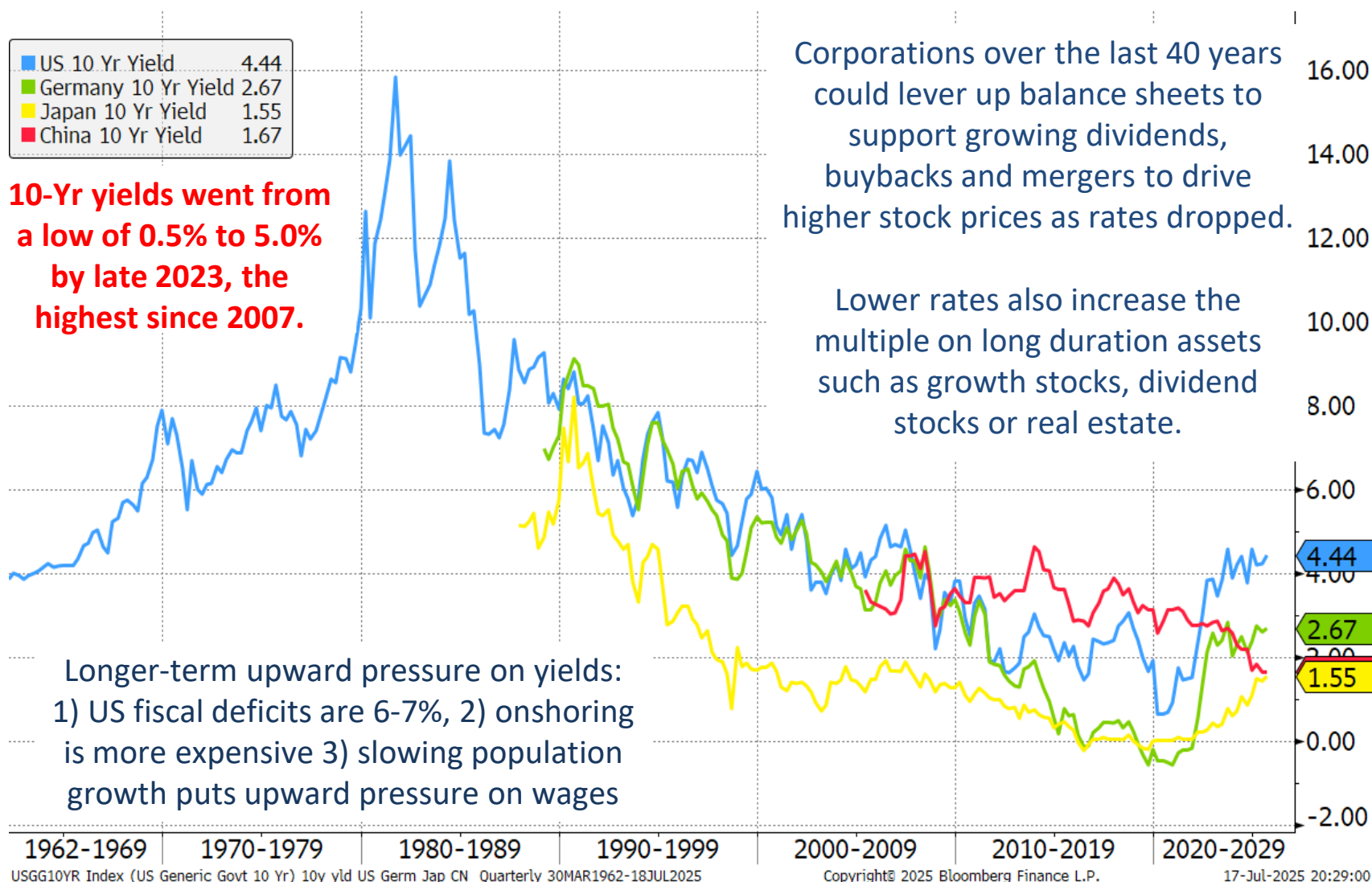
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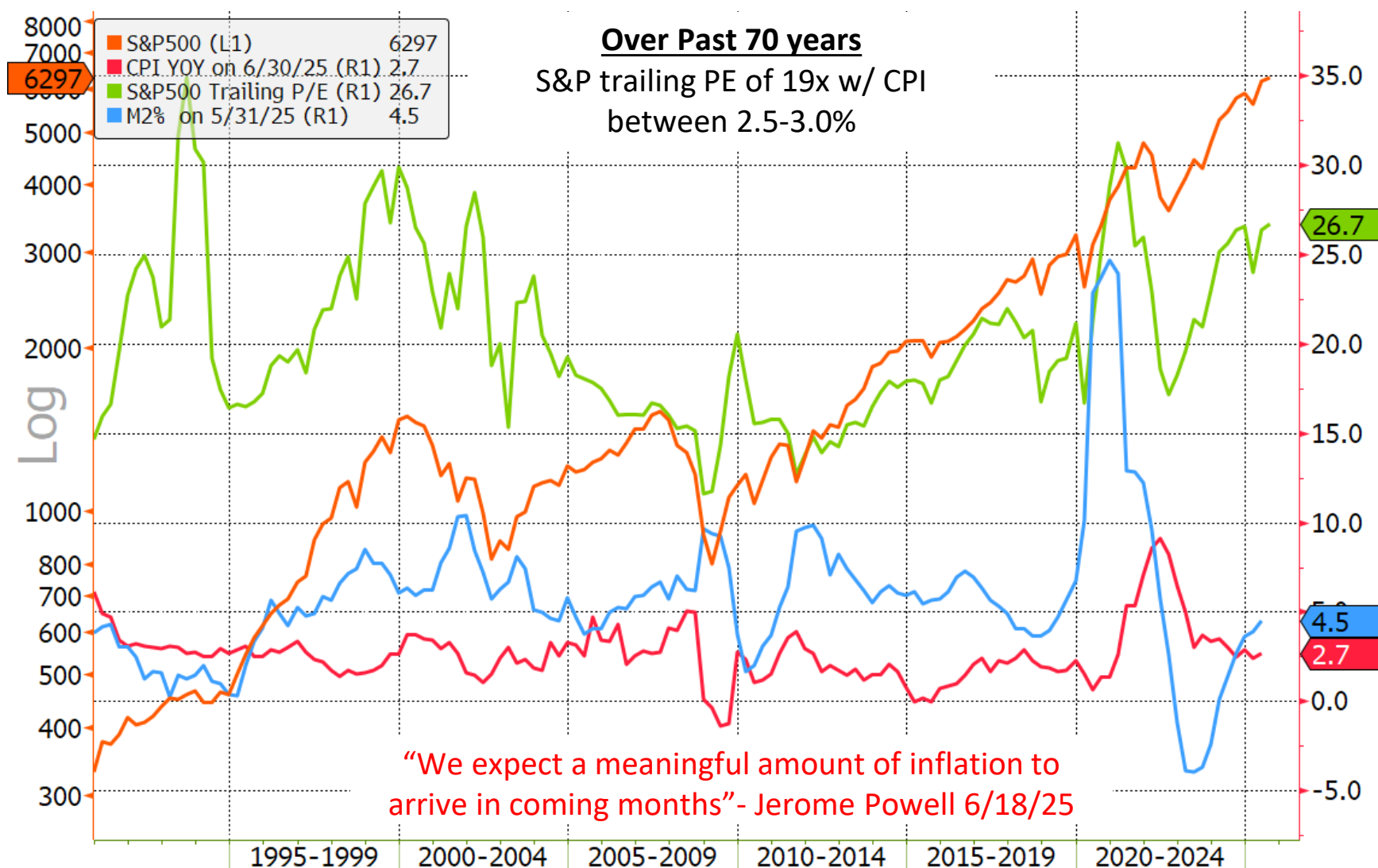
China Fiscal/Policy Stimulus likely more important vs Monetary



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%



SPX Index (S&P 500 INDEX) 1950-2022 S&P PE CPI M2 Quarterly 29SEP1990-18JUL2025

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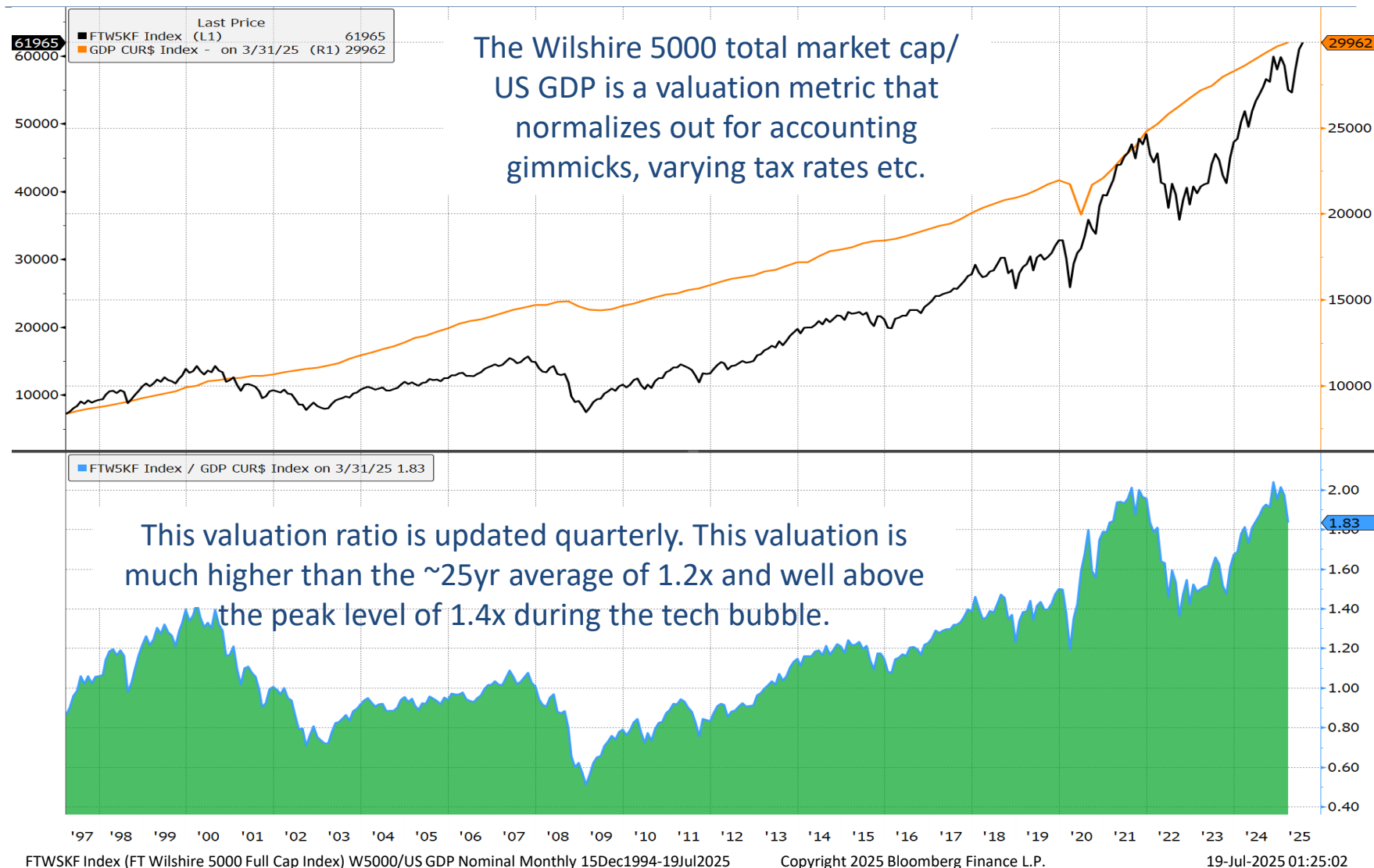
Shiller PE is very high by historical standards

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.

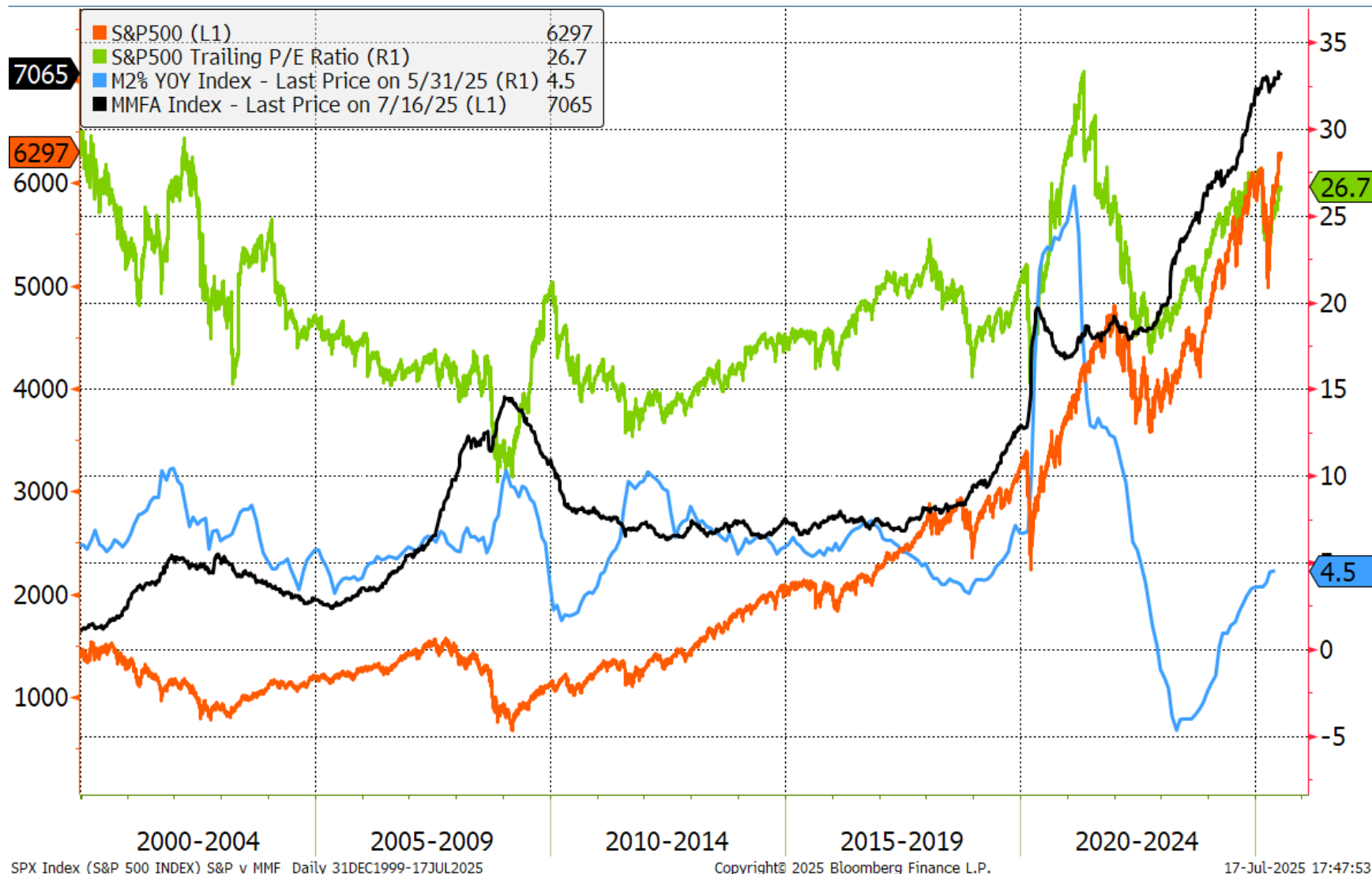


Source: Robert Schiller from "Irrational Exuberance"

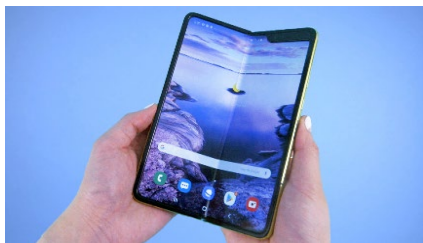
US stock market total capitalization/GDP over highs of 2000



Money Market Funds are Potential Source of Equity Demand



Several Mega Trends Are Bullish for the Long Term



5G Infrastructure



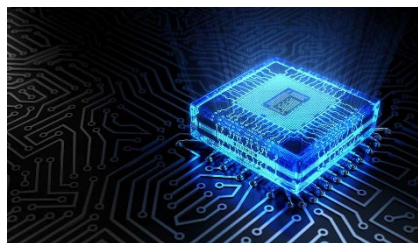
Cloud/DataCenter



Metaverse/AR/VR



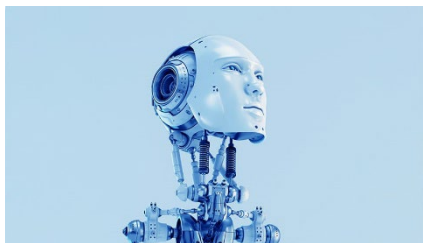
Green Energy



Semiconductor Enabled



EV/Autonomous Driving



AI & Autonomous
Robots

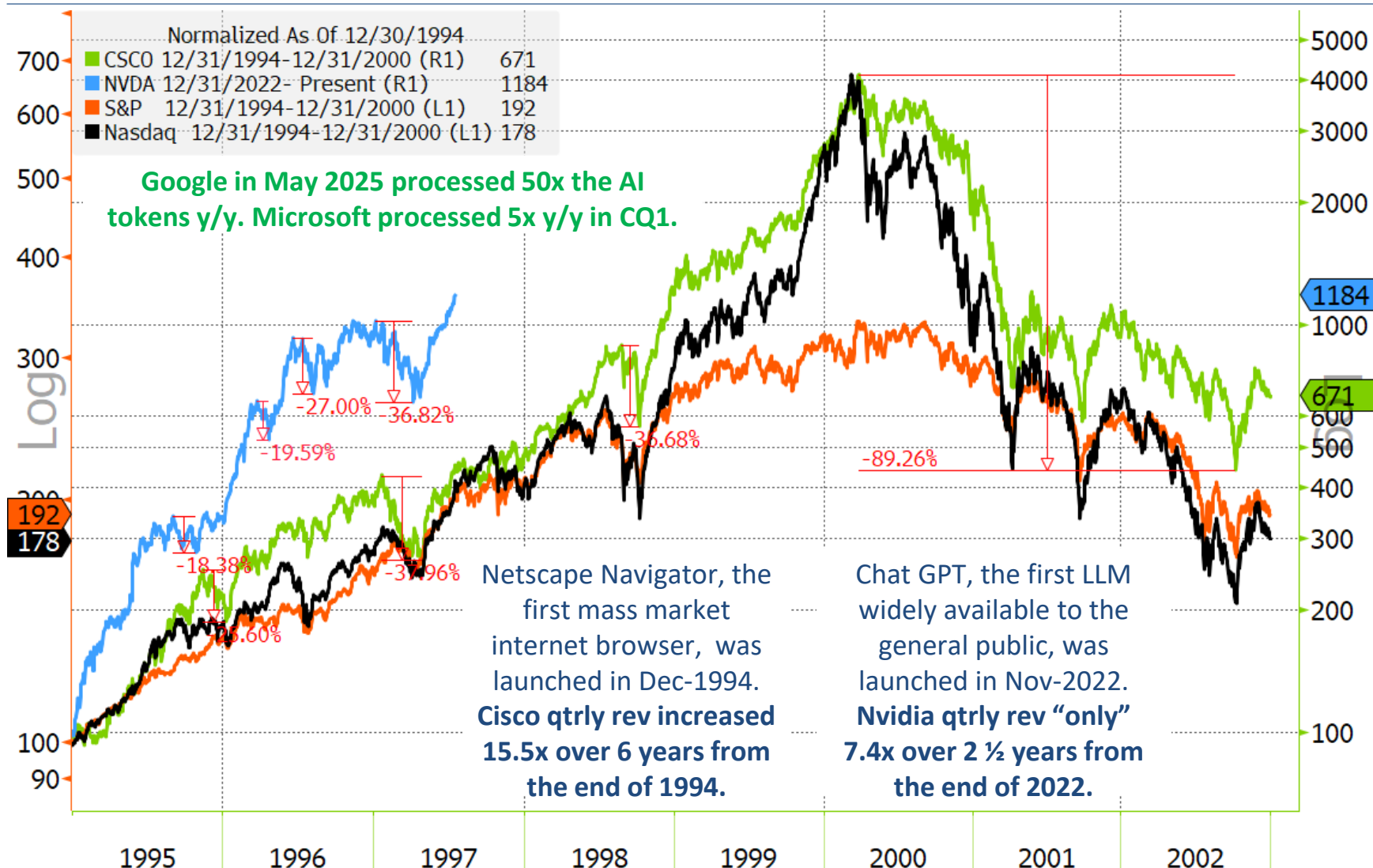


Smart Home



Internet of Things

AI Inference demand inflecting offsetting training slowdown



CSCO US Equity (Cisco Systems Inc) Cisco SPX Nas 2000 Daily 30DEC1994-31DEC2002

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Technology Evolution is not Knowable- Survivorship Bias

Computing



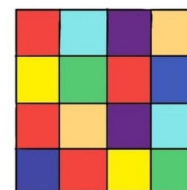
COMPAQ



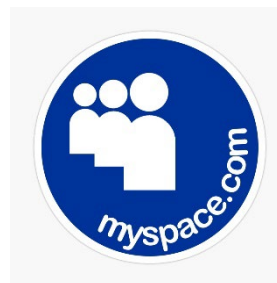
Cellphones



Social Media



sixdegrees



Browser /Search



yahoo!

Google

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. $\text{Stk Mkt Appreciation} = \text{GDP Growth} = \text{Population Growth} * \text{Productivity} * \text{Inflation}$
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. $\text{Stock Price} = \text{Valuation (PE)} * \text{Earnings}$
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**

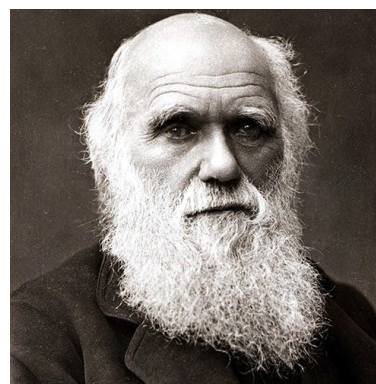


"Markets can remain irrational longer than you can remain solvent."

-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 in 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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