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Just in time for beach season, the sun came out this quarter once the tariff clouds parted, restoring investors' faith that we can all have fun, fun, fun (at least 'till Daddy takes our reserve currency status away). The stock market responded by donning its baggies and huarache sandals and flipping the "closed for the season" sign on the door to the Exchange back to "open—free lunch". The good vibrations overshadowed any fear of a wipeout due to inflation, an exploding national debt, recession, war in the Middle East, or even an oil shock. Market participants rekindled their romance with technology (especially AI) and introduced an additional love interest in the form of banks and other entities presumed to have found their palm tree in the sand (or at least a less regulated existence) under the new regime. These infatuations, despite serial policy flip-flops and bait-and-switch feints, have propelled the S&P 500 Index to near-historic peaks. Among other things, the resulting toxic mix of optimism and cynicism has given birth to the so-called "TACO trade", a mode of investing that gives us heartburn just to think about.

Wouldn't it be nice if it were that simple. But it should come as no surprise that the "don't worry baby" ethos of today's equity markets leaves us here at Marshfield cold. We've experienced enough economic shocks over the years to know that sometimes the unwelcome occurs. Indeed, sometimes the really unwelcome occurs, totally putting paid to all those cocktails and moonlit nights. Our school of hard knocks education (and our interest in preserving capital for ourselves and our clients) has embedded in us the profound belief that preparedness is always wise, even if—perhaps especially if—the specific ills of the day are impossible to predict and economic policy can turn on a dime.

In being true to that school of thought—by maintaining our discipline and not diluting our valuation or analytical standards in deference to the crowd—we feel that we're better positioned to navigate a world where God only knows what might happen tomorrow or the next day. By keeping a cool head, we can await the bargains that even in a hot market sometimes present themselves. We were able to get a return on that patience recently in our unhesitating purchase of shares in United Healthcare, which we had studied at length before its hard-nosed business tactics landed it on investors' naughty list. We believe that United was well worth waiting for, just as we believe that even if everybody else is catching mushy waves, we'll be waxing down our board, getting stoked for the big crisp ones. To invert one of the Beach Boys' loveliest lyrics, our aim is to get there slow and then we'll take it fast.

RIP Brian Wilson

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