

Wealth Management

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To: Clients and Friends

From: John D. Spooner

Subject: Quarterly Memo – Fall 2025

It's not often that I have written a memo to you when virtually all the best known stock averages are at or near all time highs. Early fall, September and October, have often brought market pain along with leaf peeping. The crash of 1987, the biggest one day drop in history, October 19th, Black Monday. The Dow Jones Industrials dropped by over 22%. Seventy one trillion dollars was lost overnight. Time Magazine flew me to New York that evening to have dinner with editors to listen to someone 'in the eye of the storm.' We ate at the 21 Club. Ordinarily the bar area would be packed. It was deserted. People thought it was the end of their investments and they hunkered down at home. If you didn't panic, markets bounced back. As is often the fact, one should have been a buyer that day, not a seller. Scared money never wins. How many bumps in the road, true panics, recessions, have occurred since 1987? I would say at least ten, when every call we got in those moments wanted to head for the sidelines. I can remember countless times when fear and anxiety ruled.

We in the Spooner Group serve an unusual role in society. We have to try to be good stewards for our clients' investment lives, in every climate, in every political turmoil. If Godzilla were president, our job is not to be wringing our hands, or being in the fetal position. We have to make sure that there is a plan for your investments, based on common sense and a knowledge of history and human behavior. We want to do the worrying for you, in uncertain and challenging times. The calm in the storm. It's a unique role in dangerous times.

There are many Wall Street cliches and historical expressions - words that many investors live by: 'Sell in May and go away,' is one. 'Your first loss is your best loss,' is another. I would pay attention right now to this one: 'Don't fight the Fed.' Translation: when interest rates are moving up... time to take some money off the table. Sell some stocks. Maybe buy some bonds. The reverse; when rates are coming down, stay with your stocks and even do some selective buying, as opportunity occurs.

Rates are coming down, folks. But these markets at or near all time highs may offer fewer bargains. We are contrarians, as I've written to you countless times. So much of the rise has been in very few companies, primarily the 'Magnificent Seven,' the biggest technology and AI names. In our managed accounts, we've been focusing for the last several months on the 'out of favor' sectors, where we see unappreciated value, particularly in energy and healthcare. These areas typically also pay healthy dividends which we think is important while we wait for our companies to appreciate. Sooner or later we believe, these sectors will be discovered.

We realize that anxiety, anger, and fear run high in America these days. Our job is to invest in quality for the long run, and not let emotions creep into financial decisions. Believe it or not, I get virtually no phone calls from clients wanting to sell, even in these fractious days. I believe this is true because our clients and our group have worked through so many of these bumps in the road together, they know there's a plan that has been time tested by their history with us. And remember this Buffett advice that you should all observe... We don't buy stocks. We buy businesses, which we believe, in time, will prosper and grow. Think of your stock holdings as businesses and that image may help all of you to think a little differently about bear markets and anxious times.

My maternal grandfather owned a factory in Boston's Chinatown, during the Great Depression of the 1930s. Markets had tumbled, much of America was out of work. But not everyone prospers in Boom times. And not everyone suffers in the hard days. Grandpa's factory produced maternity underwear. Business was brisk in The Depression. He had a maid, a cook, and a chauffeur in the brick house he built for his family next to Boston College. He believed in helping others in many ways, all through those difficult 1930s.

Am I worried about the levels of markets today? Are we in a bubble? All frenzies come to an end, whether it's oat bran, Beanie Babies, or Poodle skirts. We have also been doing more selective selling in the last few months in our managed accounts, when certain positions hit our targets. So we have cash to take advantage of lower prices if markets sell off. But as we look out to tax time, many of you will end the year with realized capital gains. As always in the Fall, we go over every account to try to diminish the tax bites that may pop up going into April 15th.

Enjoy this glorious Fall, because as they say on Game of Thrones "Winter is coming." And no, we don't always have rose colored glasses. But we do believe the businesses we all own can reward us over the long term. Life is a marathon, not a sprint. Creating wealth is also a marathon. It takes patience. And we're still the most entrepreneurial nation in history.

John

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