



## Year-End Letter December 31, 2025

*“The key to investing is not assessing how much an industry is going to affect society, or how much it will grow, but rather determining the competitive advantage of any given company and, above all, the durability of that advantage.”*

*- Warren Buffett  
July 1999*

### YEAR IN REVIEW COMMENTARY & THOUGHTS

Market Statistics as of 12/31/25

Index	2025 4 <sup>th</sup> Quarter	2025 12 Months
DJIA	4.03%	14.92%
S&P 500	2.66%	17.88%
S&P 500 (equal weight)	1.39%	11.43%
S&P Mid Cap	1.64%	7.50%
Russell 1000/Growth	1.12%	18.56%
Russell 1000/Value	3.81%	15.91%
Russell 2000	2.19%	12.81%
NASDAQ Comp.	2.72%	21.14%
Long Term Treasury Bonds	-0.49%	5.33%
Inv Grade Corp Bonds	0.77%	7.78%
Gold	14.18%	67.41%
3 Month T-Bill	0.97%	4.18%

In 2025, global financial markets experienced an “everything rally”, with all the major asset classes delivering positive returns for the first time since the pandemic. The S&P 500 index increased by 17.9% in 2025, making it the third consecutive year of double-digit gains. While 2025 was a wonderful year for equity investors, let us not forget that investors had to endure the 21.3% decline that took place from February 19, 2025, through April 7, 2025. The pullback was triggered by the Trump administration’s announcement of higher-than-expected tariffs, which sparked fears of a global trade war. The V shaped recovery in the markets ensued after Trump announced a 90 day pause on the implementation of new tariffs on April 9th. The de-escalation of trade tensions, coupled with good first quarter earnings fueled a strong rally, pushing stocks back into positive territory by May 13th. At Live Oak Private Wealth, our disciplined, long-term strategy kept clients invested through the downside volatility. As we have discussed on numerous occasions, history has repeatedly shown that market timing is a futile exercise.

For the year, the Russell 1000 Growth index outperformed the Russell 1000 Value by 2.65%. despite a strong finish to the year by value. Growth stocks continued to be powered by the surge in AI spending. For the year, large capitalization issues have led the markets while small and mid-caps have languished due to elevated levels of interest rates and potentially greater risks from tariffs. For the year that just ended, the leading sectors were communication services (+32.41%), information technology (+23.31%) and industrials (+8.39%). Lagging market sectors for the first half included real estate (-0.35%), consumer staples (+1.32%), and energy (+4.96%). For the year, all major asset classes were up, led by gold (+67.4%), S&P 500 (+17.88%), investment-grade bonds (+7.78%), long-term treasury bonds (+5.33%), and 3-month T-bills (+4.18%)

Market valuations remain a concern as we move into 2026. The S&P 500 index is currently trading at 22.4 times forward earnings estimates versus a 30-year average of 17.1 times. In a December 2025 research piece from GMO, it was pointed out that currently more than 30% of the U. S. market capitalization now trades at over 10 times sales, a level reminiscent of the tech bubble. According to the GMO report, five of the Magnificent 7 are currently over 10 times sales. While it can be argued that the Mag 7 companies have dominant business models, with strong balance sheets GMO points out the following: “ 1) Even great companies can disappoint when expectations are sky-high. 2) Speculation has inflated valuations for many firms without the market power or fundamentals of the top-tier leaders. 3) Equal-weight perspective reveals the breadth of the excess. Roughly 8% of all U. S. stocks trade above 10x sales, approaching the 2000 peak and not far from the 2020 growth bubble.”

As we have discussed on numerous occasions, the valuations of the S&P 500 are skewed by the fact that the Magnificent 7 currently comprise 35% of the index, skewing valuation metrics of the index to the upside. The broader market (S&P 493) is more reasonable from a valuation point of view. The chart below shows the valuation gap and dividend differential.

Index	Forward P/E Ratio	Dividend Yield
<b>S&amp;P 500</b>	<b>22.4x</b>	<b>1.14%</b>
<b>Magnificent 7</b>	<b>31.0x</b>	<b>0.34%</b>
<b>S&amp;P 493</b>	<b>20.1x</b>	<b>1.65%</b>

In conclusion, while the valuations for the S&P 500 and the Magnificent 7 are stretched on a valuation basis, the rest of the market appears more reasonably valued. Ironically, we are not having trouble finding companies that we believe offer good risk adjusted returns moving forward.

## LIVE OAK PRIVATE WEALTH CLASSIC VALUE STRATEGY COMMENTARY & THOUGHTS

*“While the Magnificent Seven will remain highly profitable, their "margin of outperformance over the rest of the index is expected to shrink significantly." He describes 2026 as a transition to an "egalitarian" market fueled by diverse sectors rather than just AI pioneers”*

*- David Kostin – Goldman Sachs  
December 2025*

As we discussed earlier in the “Year in Review” section, domestic stocks are not cheap versus historical levels. The S&P 500 is trading 22.4 times forward earnings, approximately 30% over the average for the last thirty years. The price/book ratio for the S&P 500 is currently 5.6 times, almost double the thirty-year average of 3.12 times.

The dividend yield for the S&P 500 is currently 1.14%, which is near twenty-five-year lows and below the thirty-year average of 2.0%. As the chart below suggests, value stocks are trading at significantly lower valuations, and we continue to be constructive once you look past mega-cap growth and the Magnificent Seven. As the chart below shows, the Russell 1000 Value index is trading at a price earnings multiple of 17.1 times, versus a lofty 28.8 times for the Russell 1000 Growth Index.



Source: JP Morgan Guide to the Markets

The markets continue to be dominated by the Magnificent Seven and the top ten names in the S&P 500 index, which at year-end comprised 41% of the index. Technology issues dominate the top ten list, with Berkshire Hathaway and

J.P. Morgan being the only non-tech companies. According to Goldman Sachs, the top ten names contribute 32% of S&P 500 earnings. Market pundits say the technology sector deserves a premium valuation, given the fact that cap-ex spending on artificial intelligence has been the dominant force, driving the S&P 500 earnings growth over the past few years. As a disciplined “value manager” we are currently in a state of “AI Fatigue” and patiently waiting for the rotation from the Magnificent Seven to the S&P 493.

In the last three years it is estimated that the total global expenditure on artificial intelligence has exceeded \$2 trillion. In 2025 alone, it is estimated that Amazon, Google, Meta and Microsoft spent a combined \$450 billion on AI (primarily data centers and NVIDIA chips). Roger McNamee, (who was an early investor in Google and Facebook) in an article in the Guardian, recently warned that there is a massive disconnect between the billions of dollars being spent on large language models and the actual revenue that is being generated from end-user licenses. McNamee states that five or six companies are spending roughly \$100 billion a year and predicts that at least three or four of them will be forced to write off their investment entirely. We are not smart enough to judge who the ultimate winners or losers will be, and we certainly aren’t willing to have over-sized bets tied to the S&P 500 index, where the top ten names (primarily technology) represent 41% of the index. What if the ultimate winners are companies that boost efficiency through the use of AI such as healthcare, life sciences, financial services and manufacturing (use of robotics)? Could a slowdown in AI spending by the hyperscalers, coupled with an acceleration of earnings by the S&P 493, be the catalyst needed to drive the long-awaited rotation from growth to value?

With a “value renaissance” we could see a move away from the hyper-concentrated S&P 500 index and Magnificent Seven into the S&P 493 and value strategies that have been in the shadow of big tech most of the last decade. The Fed pivot, coupled with fiscal stimulus provided by “One Big Beautiful Bill” also are thought to disproportionately benefit the “old economy” over mega-cap technology. In the U. S., passive investment strategies are now estimated at 53% of the total versus 47% for active strategies. Active value strategies are now estimated at 14% of the total, versus an estimated 25-30% twenty years ago. In the first week of 2026, active value ETFs saw their strongest inflows in three years. We believe the S&P 493; the S&P Equal Weight Index and the Russell 1000 Value Index are all positioned to finally have their day in the sun. The S&P 500 index has outperformed the S&P Equal Weight index by 34% over the past three years, the widest performance gap in history. The prior record was 32% from 1997 through 1999, which was followed by a sharp reversal and seven years of equal-weight outperformance. (It should be noted that returns for the S&P 493, the S&P 500 Equal Weighted Index and the Russell 1000 Value index are all highly correlated , as they essentially strip away the impact of the Magnificent Seven which make up 35% of the S&P 500 index). In conclusion, we believe we are at an inflection point and the case for a “value renaissance” is compelling.

## **Second Half Portfolio Activity**

Portfolio activity for the second half of 2025 was higher than normal given the market strength. Keep in mind that not all client accounts will have activity that matches the discussion below due to a myriad of reasons, primarily liquidity and tax considerations. We also should point out that many times we may add, or trim names not mentioned here as we attempt to keep portfolio position sizes in line with our model weights. The discussion below should be viewed as a way to see our thoughts regarding new positions or positions that have been eliminated from the value strategy.

### **Honeywell**

Our position in Honeywell was initiated with the purchase of a partial position on 9/5/25 at \$215.14, followed by another purchase of shares on 10/7/25 at \$208.75. Our attraction to Honeywell was the belief that the company’s split into three pieces would remove the conglomerate discount and unlock value. The split was pushed by activist investor Elliott Management. Honeywell’s materials business, Solstice Advanced Materials, was spun off on October 30, 2025. The aerospace and automation units are expected to be separated in the second half of 2026 with Honeywell Aerospace being spun off and the remaining Honeywell transitioning to a leader in industrial automation. Analysts have projected a sum-of-the parts valuation in the \$260 to \$280 range.

### **Oracle**

Oracle shares were sold from the portfolio on 9/9/25 at a price of \$269.58 on an earnings spike despite missing analysts’ expectations. The spike was due to a massive increase in RPO (remaining performance obligations), which signaled strong AI demand and included major contracts with OpenAI. The market has since cooled on Oracle, as investor jitters over high capital expenditures, increased debt and the dependence on a few large AI contracts that may never come to fruition. Oracle shares were initially purchased 12/14/23 at a price of \$103.37.

### **Pfizer**

Pfizer had been a long-time holding with numerous different purchase dates and prices. As you know, Pfizer had a huge revenue surge during covid from both the vaccine and Paxlovid. Revenues surged from \$41 billion in 2020 to a peak of \$100 billion in 2022. We did sell some shares on strength and reduce exposure as we reduced our position size on 8/17/21 at \$49.31. In hindsight, we should have sold the entire position as the final sale took place on 8/25/25 at a price of \$24.66. Pfizer was an example where we let tax ramifications influence our decision-making process. We will move forward using this as experience we can learn from.

### **Fiserv**

Fiserv was eliminated from the portfolio on 10/29/25 at \$74.32 as the company missed earnings expectations and drastically reduced full year guidance. Additionally, the analyst community was digesting numerous management changes including a new CEO and CFO. We should point out that we had reduced our holdings in Fiserv on 11/6/24 at \$208.76 and on 2/7/25 at \$230.43. These timely sales helped reduce the ultimate portfolio impact. Fiserv was originally purchased on 2/9/21 at \$112.46.

### **Jabil**

Jabil, which we believed would be a primary beneficiary of AI spending, was originally added to the portfolio on 5/15/24 at \$116.45. At the time of purchase, Jabil's shares were temporarily depressed following the divestiture and restructuring related to their exit from its mobility business. While Jabil has experienced rapid growth from surging AI sales, the company had reached our price objective, and we felt the risk reward was no longer compelling. Jabil shares were sold on 12/18/25 at \$225.09.

### **Notable Stock Price % Change July 1, 2025 – December 31, 2025**

<b>Contributors</b>	<b>Detractors</b>
Alphabet (GOOGL) +77.38%	Fiserv (FISV)* -56.89%
Newmont (NEW) +69.73%	Mosaic (MOS) -34.50%
Invesco (IVZ) +62.46%	Diageo (DEO) -16.97%
Merck (MRK) +28.66%	Vishay Intertechnology (VSH) -9.72%
RTX Corp. (RTX) +25.32%	Walt Disney (DIS) -7.87%

\*Shares were sold 10/29/25, see above

## LIVE OAK PRIVATE WEALTH FOCUSED OPPORTUNITY STRATEGY COMMENTARY & THOUGHTS

*“Micro is what we do... macro is what we put up with.”*

*- Charlie Munger*

2025 was a solid year in absolute terms, delivering above average historical returns despite a mix of standout performers and laggards. Overall, we would characterize the year as a **B-**. We intentionally maintained a large position in **Alphabet/Google** based on our conviction that they remained the leader in AI, and our patience with **Dollar Tree** paid off as the market began to recognize its undervaluation. We were also pleased to see **Charles Schwab** recover from the 2024 concerns around money outflows as rates rose. **HCA Healthcare** continued to skillfully navigate the political healthcare dynamics in Washington, reflecting strong management execution. On the softer side, **Floor & Decor** faced headwinds from subdued home improvement spending, slower housing activity, and firm mortgage rates that kept many homeowners on the sidelines. **Lululemon** also struggled as tariffs weighed on margins, and more cautious consumers hesitated to pay premium prices amid a cooling athleisure trend.

### Lululemon

Toward year end, activist investor Elliott Management initiated a position in the stock and pushed for board changes, coinciding with the CEO's departure and a proxy contest led by founder Chip Wilson, who nominated three new directors. Lululemon is not broken. Lululemon has positive sales growth, 20% EBIT margins, and \$11B in revenue as a global company despite tariffs and yet demands perpetual innovation in new products and styles. The company will have to decide on a path between being an athletic apparel or traditional apparel brand. Nike or Gap? The “sell side” analysts and investment banks on Wall Street hate the stock, and this year's performance proves it. We continue to believe in a base case of earnings of \$13 per share or 15 times. Given Elliott Management and Chip Wilson's involvement, we believe the bottom is in and there is value in this global brand.

### Floor & Decor

Floor & Decor continues to be buffeted by very difficult macroeconomic conditions affecting housing. The bulk of flooring remodel activity is driven by existing home sales. Typically, when a home is sold either, the new buyer or seller replaces some of the flooring. The sale of the home is a catalyst for flooring remodeling and Floor & Decor is the category killer in hard surface flooring products. Existing home sales have been weak due in part to higher than recent interest rates and high prices of homes (up dramatically in the last 5 years). We believe Floor & Decor is a good retail model and is underearning its potential. We think mortgage rates “may” come in slightly lower as they have come off the recent peak from almost 8% in late 2023 to just north of 6%. It appears that the Trump Administration is trying to juice the housing market and address the affordability issue, and while we don't know... we feel that existing home sales will recover at some point. Floor & Decor finds itself at a cyclical trough, with earnings potential of \$4 a few years from now and the company still plans to grow the store count to 400 or so from 262 stores currently.

We don't know if Lululemon and/or Floor & Decor can recover like Dollar Tree did this year, but it is an example of how quickly the sentiment can change on Wall Street. We will continue to give these two the benefit of the doubt as we enter 2026. But should we have some kind of market event that brings down the prices of better-quality stocks on our wish list, we won't hesitate to sell these two if needed to upgrade the quality of the portfolio.

When looking at our other notable positions, you couldn't have made it through the year without hearing about Warren Buffett's retirement from **Berkshire Hathaway**. As our second largest position, we trust that this change in leadership won't impair Berkshire's unique corporate culture which is based on what Charlie Munger called a seamless web of deserved trust. There are lagging sections of the Berkshire enterprise that need improvement, such as the truck stop business, Pilot Flying J, and continued needed improvement with Geico Insurance. We will be closely monitoring Mr. Abel's management of capital allocation given 1) the size of the shoes he is filling and 2)

\$354 billion reasons. We feel Mr. Buffett has carefully planned this succession, and we think the risks are minimal.

## Second Half Portfolio Activity

When looking back over the last six months of the year, activity was minimal. We added to our position in **United Health Group** at the end of June, hoping to take advantage of the significant downward price movement in the shares related to lowered earnings expectations. We believe these lowered expectations will prove to be transitory as we work through 2026.

In September, after following and owning **CarMax** shares since 2018, we finally moved on and fully exited the position. CarMax was glaring error of commission, as we failed to capitalize on two opportunities to sell during our holding period. One of these opportunities could have produced a solid gain over our cost and the other time, when it was becoming apparent the model was not executing, it would have resulted in a much smaller loss. This has been a bitter pill to swallow.

With the proceeds of the sale of CarMax, we invested in **Willscot Holdings**, a leader in flexible modular space and storage solutions. You may have seen Mobile Mini storage containers and construction trailers on construction sites. Our thesis was that the stock was undervalued (-46% from its peak) and would benefit from onshoring and infrastructure renewal in the U.S. due to trade policy from the Trump administration. The stock traded very poorly after our investment (down another 25%) and we went back to retesting our thesis and diving even deeper into the company and talking to more general contractors, etc.... We grew a little more uncomfortable mostly with a better understanding of the excess fleet of unrented units and new revelations around the company's accounting. The stock rallied back in short fashion, and we chose to move on and not have another position to worry about. Thankfully, we broke even. Bill believes this is the shortest holding period (3 mos.) in his career.

**Google (Alphabet)** has grown to the largest investment position in our firm and client accounts. When the craze surrounding artificial intelligence was gaining steam during 2024 and early 2025, the fear was Google's bread and butter business, Search (and most profitable), was under pressure due to many perceiving to bypass Google search for ChatGPT. This fall, the market shifted sentiment quickly as the perception gave way to reality that Google's AI assistant, Gemini, was actually equal to or superior to ChatGPT, Perplexity, Grok etc. and therefore maybe the Google search moat wasn't getting shallower. Well, here came the money flow, and the shares were up 30% in the last three months on the back of a 30% move in Q3. We continue to have a very favorable outlook on the company and believe strongly that they will be a major benefactor of the A.I. buildout. To us, the shares are not overly expensive, even after a 60%+ move in the last six months. But we have made the decision to trim our position, almost exclusively for "risk management reasons". We started this trimming in December and should be completed by January 2026. There are significant tax considerations at play here. We are mindful of the quote attributed to Peter Lynch regarding not "cutting your flowers and watering your weeds" and this is an uncomfortable trim. But the position inside the Focused Opportunity strategy had grown to more than 10% of assets and purely from a concentration risk standpoint we felt compelled to lower the exposure.

Other noteworthy changes to the strategy saw two businesses previously held in the International Strategy move into Focused Opportunity. **Ferguson**, the plumbing and HVAC distributor and **Ashtead** (soon to be Sunbelt Rentals) both have redomiciled in the U.S. Ferguson actually moved its listing in late 2024 and Ashtead will be moved to the NYSE in March and changing the corporate name to the more recognized Sunbelt Rentals. We admire both companies and think they both possess the opportunity to benefit from much of the economic stimulus from the Trump administration. We believe the U.S. listing of Sunbelt will be good for the stock, as many indexes and mutual funds in the U.S. cannot own foreign securities.

### Notable Stock Price % Change July 1, 2025 – December 31, 2025

Positive	Negative
Alphabet (GOOG) +77.38%	CarMax (KMX) -45.02%
Thermo Fisher Scientific (TMO) +37.48%	Floor & Decor (FND) -25.11%
Apple (AAPL) +30.82%	Lululemon (LULU) -15.22%
Dollar Tree (DLTR) +21.19%	Abbot Labs (ABT) -8.05%
HCA Healthcare (HCA) +19.85%	Microsoft (MSFT) -1.71%

Going into 2026, we are cautiously optimistic at best as we struggle with ebullient markets at all-time highs, gambling, complacency, unknown unknowns with Geopolitics, not to mention fully if not overvalued valuations on most stocks and bonds.

We feel like the A.I hype, craze, bubble, whatever you want to call it will peter out from exhaustion and markets are already rotating somewhat. **Microsoft** has been soft since mid-year and yet we continue to like its future prospects, but the stock may not offer much for 2026.

Ditto for **Apple**, but with its installed base of iPhones and connected services and global brand it remains a core position, Powerhouses **Visa and Mastercard** make up a significant portion of our invested capital, and we love them, but at 30 times earnings we are not expecting big gains in 2026. We feel the worst is over regarding uncertainty around healthcare and therefore expect our positions in HCA, United Health, **Thermo Fisher, Abbot**, and especially Danaher to have favorable returns in 2026.

**Danaher** has gone nowhere in three years and has really tested our patience. We feel now that tariff rules are clearer (notwithstanding the ruling from the Supreme Court). Danaher's customers, big U.S. Pharma and biotech, will now be incentivized to spend on R&D. We feel the odds are high that the company returns to earnings growth and possibly \$8-9 in earnings per share. We got involved in the stock too early in retrospect, but at this point in the cycle we would buy it with fresh eyes, so we remain invested.

**Brookfield** continues to benefit from the buildout of global IT and energy infrastructure and has the capital to continue to put behind these very large projects with attractive return profiles.

**Markel** is showing signs of a turnaround with their insurance engine which could lead to better results and a higher rate of growth in book value. Insurance markets in general are lumpy, with some areas such as commercial property and E&S are in softening markets while casualty and other liability areas are still hard. Our positions in **Aon**, as well as Markel, are experienced and diversified to navigate these lumpy cycles.

## LIVE OAK PRIVATE WEALTH INTERNATIONAL STRATEGY COMMENTARY & THOUGHTS

The Live Oak Private Wealth International Strategy had a stellar year, finally. We had been expecting a rotation towards non-U.S. stocks, and it finally started. Whether or not this continues, we can't know, but we are still finding attractive opportunities overseas. Recall our philosophy and strategy is to find attractive priced businesses run by management teams who prioritize shareholder friendly capital allocation with an eye on the long-term.

While we earned stellar absolute returns across the strategy, we were weighed down by continued subpar performance from our investments in the spirit's segment. We debate almost daily about selling them and moving on to something that "surely can perform better". Yet we also debate the attractive valuations they find themselves at currently. We have been spending a lot of time trying to equate today's situation with spirits with the tobacco industry of years past. Tobacco stocks, counterintuitively, have been among the best performing stocks in the last decade. We own **Phillip Morris International**, and its stock has returned 20% per year compounded, for the last five years. This has happened due to the inelastic nature of tobacco pricing, as many globally are addicted to nicotine and therefore less sensitive to price increases. Phillip Morris and others in the tobacco industry have raised prices while volumes declined, and cash flows were quite positive. They also reinvested in research and development to produce new products that have less negative health effects such as nicotine pouches and vapes. With plenty of excess cash flow, even in the face of declining volumes, the companies returned large portions of their profits to the shareholders mostly in dividends. Could a similar thing happen with the spirits industry? Odds are high we feel and while alcohol is not as addictive as nicotine, we think social drinking is habitual and spirits pricing, while not as inelastic as tobacco, is not overly sensitive. Additionally, we are now entering a period of more muted price increases.

We wonder if we are too stubborn, and should just move on, but valuations are attractive, and we own three of the dominant companies in the industry in **Diageo**, **Pernod Ricard** and **Heineken**. We think the worst is priced into their shares and represent solid value. But we sure have been wrong.

Our aviation investments, **Safran** and **Airbus**, had a great year as increased travel led to solid engine maintenance and orders from Safran and delivery of new jets were a record for Airbus. In healthcare, **Roche** had a great second half of the year, as its new drug development pipeline is starting to show real promise, especially a potential blockbuster breast cancer pill.

**Taiwan Semiconductor** continues to amaze and was the second-best performer behind Louis Vuitton. The insatiable demand (for now) for semiconductors fueling the A.I. revolution continues to benefit Taiwan Semiconductor. We did trim back the position slightly in October in some accounts where the position had grown too large.

Elsewhere in Europe, **Siemens** and **Holcim** had very solid results with Siemens benefitting from the buildout of A.I. data center infrastructure and energy (electrical grid) expansion. These growth expansions need concrete and cement, and Holcim gladly provided it. Holcim also spun out their North American division, under the listing name of Amrize, which predominantly focuses on cement. We feel good about these businesses for 2026.

Our new investment in **Louis Vuitton (LVMH)** we made in April is working well so far. Our entry point during the Tariff/Liberation Day selloff has proven so far to be timely. One of the things our investment team discusses frequently is the patience required to “wait” for pricing opportunities to present themselves. It is hard to do in a bull market going up every day, but it pays dividends to wait for lower risk entry points.

**Icon PLC** has been a laggard as uncertainty around healthcare politics and pharmaceutical tariffs weighed on their clinical trial business. We think now that some of those uncertainties are fading, 2026 may be a better year for the stock.

**Linde**, the industrial gas company, is a truly marvelous business as industrial gases, such as Nitrogen, Argon and Acetylene, are the invisible workhorses of the industrial world. Oxygen is critical to the healthcare industry while nitrogen is in everything from a bag of chips to semiconductor manufacturing and liquified to freeze food and medicine. Demand for industrial gases results in classic price inelasticity as many industries and healthcare are reliant upon them. The stock was soft this year due to many issues in Europe, but we still view it very favorably.

**Nestle**, which we have owned since before the inception of this strategy, continues to disappoint. The largest food company in the world, with durable brands in food and beverage and pet food, has recently missed the mark mostly due to inflationary cost pressures and C-Suite management issues. Nestle has levers it can pull to improve the stock performance, and we expect them to get that going in 2026. Nestle is attractively priced and pays a nice dividend.

**Willis Towers Watson** is a leading global insurance broker, very similar to Aon. In fact, these two almost merged in 2021. Willis had steady revenue and earnings growth in 2025, and while some areas of insurance pricing are suffering, we are comfortable with the long-term prospects for the company, management and capital allocation.

Offsetting each other this year, **Development Bank of Singapore** had a very solid year, in fact a record in earnings while **Evolution AB** struggled as their online live casino market business contends with an investigation in the U.K. around black market activity. We are looking very carefully to see if margins stabilize and growth picks back up. We don't have high conviction here and may sell in 2026. We like DBS, as it is referred to in Asia, and feel good about its outlook for 2026.

## Second Half Portfolio Activity

The most notable change with the strategy was the U.S. listings for Ashtead (Sunbelt Rentals) and Ferguson. Now that they are domiciled in the U.S., we moved those two positions out of the International Strategy and into Focused Opportunity, where we will continue to hold them. We opted to sell our fairly recent investment in **Novo Nordisk**, as the downward volatility was truthfully just too much. The board moved to replace the CEO and the dogfight they found themselves in with Eli Lilly regarding the GLP-1 industry, the daily noise and volatility to the downside was distracting us from better areas of strategy.

We added slightly to our position in Icon in August as the clinical research organization business appears to be exiting its trough in business. Now that we have some clarity regarding healthcare policy, the large pharma companies and upstart biotech's, will hopefully increase their phase I, II and III testing which should benefit Icon.

In October we initiated a starter position in **Constellation Software** in Canada. Many software stocks value propositions are being called into question as agentic A.I. develops. Many in the market are taking a sell first attitude which we feel created this opportunity. We initially bought our position on a -25% drawdown in share price and feel that not all of Constellation software businesses (they own over 100 different software businesses) will be disrupted by A.I.

We have three businesses we have been researching for the strategy that are coming into price range. We may be taking small positions in these during the first part of 2026 and look forward to discussing their theses with you.

We are more than optimistic in the potential that lies ahead for this strategy, with the caveat that global stocks in general are expensive and therefore not poised to generate stellar returns like this year.

### Notable Stock Price % Change July 1, 2025 - December 31, 2025

Contributors	Detractors
Louis Vuitton (LVMH) +35.77%	Pernod Ricard (PRNDY) -18.14%
Taiwan Semiconductor (TSM) +35.25%	Diageo (DEO) -16.97%
Dev. Bank of Singapore +24.11%	Evolution AB (EVVTY) -15.38%
Icon PLC (ICLR) +22.39%	Phillip Morris (PM) -9.65%
Airbus Group (EADSY) +13.90%	Heineken (HEINY) -8.77%

## FINAL THOUGHTS

We now look ahead to 2026, cautiously. Geo-political risks surrounding foreign policy and even power globally appears is being redefined by our U.S. president. We see workings of increasing risks to financial markets. World order feels like we are close to a tipping point on the backs of continued trade wars, the overthrow of Venezuela, revolution in Iran, the potential for a messy acquisition of Greenland and finally the independence of the Federal Reserve. These many geopolitical risks are out of our control and wouldn't be a concern if our equity market structure was different, and we had not had a remarkable run in the last three years.

We have talked about the equity market structure a lot in recent letters, pointing out the fact that passive money from index funds and ETFs are now the dominant influence on returns. The money has seemingly been a one-way flow INTO the markets, disproportionately accruing to index funds and ETFs. This wouldn't be much of a concern to us if valuations were more normal, but they are not, as referenced earlier. Momentum is very strong and in the last three years has produced momentum almost as strong as the 1998-1999 period leading up to the collapse of the dot-com bubble in 2000. The gains of the last three years feel like an outlier to us, and caution is warranted in our conservative opinion.

Birinyi Associates shared their research recently commenting on the run we have had. They did it in a way of looking back at trailing returns in the market. Birinyi states that the current 40-year S&P 500 lookback is over 9% compounded and is the highest 40-year lookback recorded since 1965. Personally, from our vantage point, having both been in the asset management business for 40 years, we have often talked of long-term returns for stocks of around 7%. The flip side of higher than historical trailing returns is the forward returns that come afterwards. Birinyi's research showed that the last time the 40-year lookback was this high, 1998-1999; the forward ten-year returns were -3%. We will not claim to know what future returns will be. We will strive to generate the highest returns we can for you on a risk-adjusted basis. Our bet is they are lower than the last three as measured by the S&P 500.

We think the odds are increasing that the money flows into passive index funds, and ETFs will abate and possibly even reverse. Much of this money may migrate to fixed income in a flight to safety, but a good portion will most likely find its way into out of favor sectors in the market such as energy, healthcare and smaller businesses. Our classic value equity strategy is positioned for this potential change.

Peering into 2026 with more of an optimistic lens, one cannot be excited at the advancements in U.S. productivity. Goldman Sachs believes productivity could increase by 150 basis points a year, each year, over the next 10 years. Many artificial intelligence advancements are leading to this productivity boost. Examples are Amazon building distribution (fulfillment) centers twice as big as they were building five years ago, and yet they require no additional staff even though they handle twice the volume. Or online mortgage company Rocket Mortgage, who claims that it can serve 50 more loan applications per loan servicer. We believe that many of our portfolio companies will benefit from increased productivity and artificial intelligence in general. We are not seeing it yet in profit margins, but we expect we will in due time.

When we wrote our year end letter one year ago, we said we entered 2025 prepared and could not predict what was in store for us for the balance of the year. We now enter 2026 the same way... as prepared as we can be.



Live Oak Private Wealth LLC, the business, had a very good business year in 2025. Growth metrics across the spectrum were all very positive. This is a testament to our strong team of experienced professionals and the ongoing partnership we have with you.

We are very grateful for this partnership and your trust you have placed in us. We thank you for compensating us for something that we love to do and is so important to us all in carefully managing and growing your capital. We deem it a privilege to be on this journey with you and all twelve of us on the team look forward to our continued shared success together.

With warmest regards,

Frank G. Jolley, CFA  
Co-Chief Investment Officer

J. William Coleman, III  
Co-Chief Investment Officer

## DISCLOSURES:

*This material is not financial advice or an offer to sell any product and is not a recommendation to buy or sell any particular security. Past performance is not indicative of future results. The opinions expressed are those of the Live Oak Private Wealth Management Investment Team. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass.*

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