

QUARTERLY COMMENTARIES

# Q2 2025: STRONG RESULTS DESPITE HIGH UNCERTAINTY ACROSS THE MARKETS



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Jul 14, 2025



## QUARTERLY COMMENTARY – JULY 1, 2025

Domestic equity markets closed out the second quarter of 2025 with gains across the board. The S&P 500 rose +10.9% for the quarter and +6.2% year-to-date, including dividends. The NASDAQ Composite rose +18.0% in the quarter and +5.9% for the first six months of the year. The Dow Jones Industrials logged gains of +5.5% and +4.6% for the quarter and year-to-date periods, respectively. Domestic small cap stocks, accessed

by Summitry through our “Explore” strategy, also gained. In the second quarter, the Russell 2000 small cap benchmark increased +8.5%, but remained lower by -1.8% since the start of the year. International equity market indexes kept pace, with the MSCI ACWI (excluding US) Index producing returns of +11.7% and +10.3% in the second quarter and year-to-date periods, respectively. International exposure may also be accessed by Summitry clients through our Explore strategies. Bonds also appreciated during the quarter, overcoming headwinds due to concerns about inflation, the federal budget deficit, and global appetite for U.S. debt. After two Fed Funds rate cuts totaling 50 basis points in the final quarter of last year, the Federal Open Market Committee chose to hold the target rate steady in a range of 4.25% to 4.50%. The 10-year Treasury bond yield ended the quarter virtually unchanged at 4.23%, while the Bloomberg Aggregate Bond Index appreciated +4.5% in the quarter and +7.3% since the beginning of the year.

These strong results obscure tremendous volatility that the markets, and our portfolio, experienced during the second quarter. On April 2nd, Trump sent equity markets into a tailspin by announcing plans to apply shockingly high tariff rates to virtually all goods imported into the US. The S&P 500 declined by greater than 12% over the following four trading days. Meanwhile, hot wars continued to rage in Ukraine and the Middle East, culminating in President Trump’s decision to bomb Iran’s nuclear facilities on June 21st. However, markets rebounded sharply, as the administration appeared to walk back some of its tariff plans and pushed out deadlines to allow more time for negotiation with trading partners.

While we await clarity on the outcome of ongoing negotiations and ultimate tariff rates, we are preparing for more market volatility, as Trump’s trade policies are likely to ripple through the economy in unexpected ways. We have navigated periods of great uncertainty before, and we know such periods often lead to uniquely attractive investment opportunities for strategies like ours. We believe our sizeable cash balance should allow us to act quickly, if volatility leads to opportunity. As for our current holdings, we believe the businesses we own are well prepared to manage through this period due to their strong competitive positioning, but it is unlikely any business will be completely immune in the near term.

For you, we believe the best course of action is to work with your Financial Advisor to evaluate your long-term objectives and your current financial means, estimate the returns needed from your portfolio to accomplish these objectives, allow for the fact that markets—particularly stock markets—are volatile, and allocate among asset classes in the proportions that will deliver returns that meet your goals with the highest degree of certainty.

## Q2 PORTFOLIO CHANGES

Please keep in mind, these commentaries should not be construed as a recommendation to buy or sell the securities discussed. Such decisions are made only within the context of the market environment as we perceive it at the time of the

decisions and the structure of the diversified portfolio of which the securities are a component.

During the quarter we entered new positions in Rentokil Initial (RTO) and Thermo Fisher Scientific (TMO).

### Rentokil Initial

Rentokil Initial is a leading provider of a service most people hope they'll never need – pest control. Unfortunately, urbanization, rising health standards, and a warming climate have created growing and recurring demand for this service, and we believe Rentokil is well-positioned to benefit from it.

As the largest player in the industry, Rentokil's scale provides cost and route-efficiency advantages over smaller competitors. Given the industry's fragmented nature, we expect Rentokil to act as a consolidator, acquiring smaller rivals and accelerating its market share and revenue growth.

The stock has come under pressure in recent years due to challenges integrating Terminix, a major U.S. acquisition completed two years ago. While the difficulties were greater than expected, we believe the business is turning a corner and anticipate stronger operating results in the coming quarters. Divesting non-core businesses, reducing debt, and potentially pursuing a U.S. listing could further unlock value.

Pest control may not make financial headlines, but it's an indispensable service in an attractive industry. In our view, that makes Rentokil a durable business with long-term growth potential, available today at what we believe is an attractive price.

### Thermo Fisher Scientific

Thermo Fisher Scientific may be unfamiliar to the general public, but it's an indispensable "picks and shovels" provider for the global scientific community. As the market leader in lab equipment, consumables, and services, Thermo supports nearly every form of scientific research including pharmaceutical R&D, biotech innovation, and academic and industrial laboratories. Thermo has also become a trusted outsourcing partner for drug manufacturing and clinical trials, further embedding itself in customers' operations.

Thermo holds a dominant position across nearly every product category and market segment, benefiting from efficient scale and delivering a broad suite of mission-critical solutions. These advantages create significant switching costs for customers, leading to strong pricing power, cost efficiencies, and highly recurring revenue streams.

The industry currently faces a cyclical downturn following the pandemic boom. Constrained government budgets and trade uncertainties have added additional pressures. However, we believe the long-term fundamentals remain robust. Structural

tailwinds such as aging global populations, rising healthcare investment, and advances in gene and cell therapies remain intact and should drive demand for years ahead. Combined with management's proven track record of operational excellence and disciplined capital allocation, we think Thermo appears well-positioned to navigate this temporary slowdown and capitalize on the next growth cycle.

As is often the case, recent performance can cause investors to overlook business quality and become anchored to the recent past. This creates opportunities for long-term investors like us to acquire high-quality businesses such as Thermo at an attractive price.

## NEW SUMMITRY TEAMMATES

We have been very busy on the recruiting front. During the second quarter, we welcomed John Dorr, Chris Moody, Martin Mauk and Allison Uozumi to the Summitry team.

John Dorr is Summitry's Senior Salesforce Administrator & Systems Manager. As the firm has grown considerably over the past several years in terms of clients, assets under management, and professional headcount, these functions have become critical, and we now benefit from a person with experience perfectly aligned with the need. John has served in similar systems roles for information technology and financial services firms. He also spent five years early in his career as a Financial Advisor for Merrill Lynch, so he understands our business well. John earned a Bachelor's degree in International/Global Studies from U.C. Berkeley and an MBA from Saint Mary's College. He lives in Danville with his wife, Jennifer and twin daughters Lillian and Piper. John's principal interests are skiing, rafting, surfing, swimming, hiking and traveling.

Chris Moody joins Summitry as a Financial Advisor, leveraging his 16+ years of relationship management experience serving high-net-worth clients at Fisher Investments. The scope of his responsibilities grew over his tenure with Fisher, and he was tapped for roles involving the training and management of other Investment Counselors at the firm. Chris received his Bachelor of Science degree from Santa Clara University in Commerce, Finance & Marketing. Chris resides in Alamo with his wife and two young children. In his free time, he enjoys playing golf, is an avid sports fan, and loves spending time with his family.

Martin Mauk serves as a Client Service Specialist for Summitry, helping to manage and execute the innumerable activities and transactions involving client accounts and money flows. Martin served on client-facing teams at First Republic Bank for nearly nine years, and subsequently JP Morgan Chase & Co. following its acquisition of First Republic. Martin earned a Bachelor of Science degree Business Administration, with a concentration in Finance, from San Jose State University. Martin lives in Walnut Creek with his wife, Jessica, and spends his free time playing golf, skiing and traveling to new countries.

Allison (“Alli”) Uozumi is Summitry’s newest Financial Advisor Assistant, supporting our team of Financial Advisors to build meaningful relationships and provide uncommon value to clients of the firm. While Alli is a newly-minted graduate of San Diego State University’s Fowler College of Business with a Bachelor of Science degree in Finance, she is not new to the firm. Some clients may have encountered her during her internship with the firm over the past year, where she gained exposure to the various teams at Summitry. We are delighted that we found the best career fit for this very talented individual. Alli lives in Belmont, played lacrosse competitively through college, and enjoys long walks with her dog, spending time outdoors and in the sun, catching Giants games and making the most of quality time with family and friends.

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