

October 20, 2025

Dear Fellow Investor:

Conditions in the equity market (where the majority of our money is invested) have not changed much since I last wrote to you. Despite highly disruptive policies promulgated by parties in Washington—including the shutdown of the Federal government, which continues to this day—markets have chugged along, however nervously. (Justin comments on that nervousness, which we consider to our advantage, in his part of this communication.) Very much to our benefit, those same markets have registered all-time highs in recent weeks. The S&P 500 returned 11.86% (12.93% with reinvested dividends) through September of this year, a decent performance by any criteria in my opinion.

The accounts for which we are responsible certainly participated in the latest record advances although the degree of participation was inhibited in some cases by the presence of certain long-time names in individual portfolios; names which, though true heroes in years gone by, exhibited the behavior of doornails in the first nine months of 2025. We make it a point to invest in companies, not stocks, so mediocre performance by the share price does not induce us to sell as long as things are going well at the business.

And things are going just fine in our businesses, though slings and arrows of outrageous fortune fly all around us. For instance, we have considerable investments in the agricultural sector, reasoning that, after all, people need to eat. As retaliation for actions related to its trade war with the U.S., China has stopped buying soybeans from the United States. There goes a huge market. But our companies, whether it be Deere selling farm equipment, Farmer Mac providing liquidity to the market for farm loans, or Canadian National Railroad hauling grain to market, are navigating treacherous shoals admirably. And they have the financial strength to weather difficult business conditions until “normality” returns, which it most certainly will. After all, people need to eat.

Our investees remain profitable, growing, shielded from competition, conservatively financed, well-led, and in some cases, absurdly cheap. These attributes are what have driven our success in the past, and I see no reason to believe that suddenly, in 2025, all that has changed.

And speaking of success, the third quarter of 2025, August 1st to be precise, Weybosset Research & Management LLC celebrated the 25th anniversary of its founding. Our deepest thanks to all of you. I like to think ours is a successful business arrangement, successful for you and successful for us. When Jeannine and I launched Weybosset Research, we had no plan to still be pounding away through the first quarter of the 21st century. But here we are joined by Justin Deutsch. And to my tremendous satisfaction, we are also joined as

clients by children of long-time clients. We can start thinking about the next 25 years, thanks to your loyal support.

Thanks again,

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As the third quarter of 2025 concludes, the financial landscape continues to present a fascinating, and often contradictory, picture. While the headline indices, driven by a handful of mega-cap technology firms, hover near highs, the majority of investors remain anchored by a deep-seated pessimism.

Recently, the **AAll Bull Index**—a measure of individual investor bullishness—has dipped to levels only historically observed coinciding with **massive market corrections** and the onset of generational buying opportunities.

Though there are pockets of speculation in the market- if you couple the AAll Bull index reading with the 7 trillion dollars sitting in money markets you can believe this is not yet the mania of 1999 or 2007; rather, it suggests fear and caution abound.

*"The key to making money in stocks is not to get scared out of them."* – **Peter Lynch**

We believe the current psychological environment presents a phenomenal time for those focused on enduring quality, and we continue to find that value.

The discrepancy between high quality value stocks and growth stocks is now wider than where it was in 1999 at the height of the tech boom.

Crucially, we are now observing performance broaden out beyond the mega-cap leaders, with the other 493 stocks in the S&P 500 starting to participate; this broadening, coupled with our strategic positioning, has allowed the accounts for which we are responsible to produce satisfying year-to-date returns in the range of **10% to 15%**, depending on the duration of your partnership with us.

### **The Power of Patience and Wonderful Businesses**

Our guiding philosophy remains unchanged: we are not market traders seeking momentary gains; we are dedicated **long-term business owners**.

We focus steadfastly on owning wonderful businesses—companies with sustainable competitive advantages, ironclad balance sheets, and proven management teams.

These businesses are designed to generate solid cash flows and thrive across economic cycles. We believe we have curated a high-quality **antifragile** portfolio.

This approach, focused on avoiding costly errors rather than chasing fleeting brilliance, aligns with the insight of the late **Charlie Munger**: "**It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent.**"

Ask yourself: Would you sell your own personal business, or choose to buy a new one, based solely on politics, a geopolitical headline, or whether the market goes up or down? Of course not. You carry on, you innovate, and you try to make your businesses as profitable as possible.

By thinking of stocks as fractional ownership in productive assets, we are built to weather the volatility inherent in public markets over decades.

We avoid paying high prices for an asset and buying at the wrong time. That doesn't mean stocks we own can't go down. In fact, the average intra year range for a stock is 100%. Meaning a stock can drop 50% and then rally 50% or any combination of movements.

### **The Macro Shift: Monetary Policy and Sectoral Relief**

We remain confident in the underlying resilience of the American economy. As detailed in our letter from January 2022, the Federal Reserve's aggressive tightening cycle, the fastest since the 1980s, created a self-imposed **recessionary period** in several core, capital-intensive sectors—specifically **housing, transportation, and manufacturing**.

New home sales, for example, have struggled mightily under the weight of high mortgage rates. However, the tide is turning. With inflation cooling and approaching the Federal Reserve's long-term target, the eventual easing of policy and **lower interest rates** will provide a highly beneficial catalyst. The Fed has successfully normalized monetary policy, and the next step is normalization toward growth.

When the cost of capital declines, these three critical sectors, which have been in a recessionary state for three years (the ISM which measures manufacturing growth has been in the longest recession in 100 years), will finally find the stimulus needed for a long runway of future growth. This coming relief will bring volumes back to the economy and unlock earnings power across our diversified portfolio of companies.

*Since 1980, 100% of Fed rate cuts with the S&P 500 at record highs have led to more record highs 12 months later. – Bank of America Research*

## **Strategic Positioning in AI Infrastructure**

In this environment, we are also strategically exposed to the secular growth trend of Artificial Intelligence. Our investment strategy remains grounded in supplying the foundational infrastructure necessary for this revolution.

We are invested in AI infrastructure and the companies that will benefit by supplying the essential tools and components. Like the gold rush in '49 or the internet boom in '99, we prefer to own the **picks and shovels**.

Regardless of which front-end AI application succeeds, they will all require specialized chips, robust networking equipment, and power-hungry, utility-like data centers. This is a durable, long-term secular growth trend, and our position in the supply chain means we are invested in the enablers, not just the hype. Think construction, pipelines, semiconductor testing.

Furthermore, we are also seeing the benefits of Artificial Intelligence show up in the earnings of some of our search, transportation and insurance companies as they utilize AI to cut costs, increase productivity, and develop new drugs- expanding margins and increasing profits- the end users of AI.

Third-quarter earnings have begun, and the early indications are that the consumer and the economy are resilient. As we move past peak tariff uncertainty there are green shoots that the manufacturing and transportation sectors are beginning to rebound.

In this environment of conflicting signals and widespread disbelief, our strategy remains unchanged. We continue to focus on owning high-quality businesses with durable competitive advantages and strong long-term growth prospects, **a diversified cross section of United States businesses**.

We are not swayed by the short-term sentiment of the crowd, but rather by the fundamental value of the companies we own. We believe that this disciplined, long-term approach is the surest path to building and preserving wealth over time.

Thank you for your continued support and for the privilege of working for you. We welcome the opportunity to further discuss the interesting times in which we live and perhaps, the essential lessons in behavioral finance outlined in Morgan Housel's *The Psychology of Money*.

Sincerely,

Justin Edward Deutsch

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