



It's tough to make predictions, especially about the future.

--Yogi Berra

January 12, 2026

Dear Fellow Investor,

2025 was a year that showed once again how prescient a philosopher the great Yogi Berra really was.

The year began with investors scrutinizing every hint from the new/old incoming administration as to what might come next. Then, in April, the answer came: an upending of the global trading system that had prevailed since the end of the Second World War. The rug pulled out, markets panicked and tanked hard.

But the bark turned out to be far worse than the bite, and the thing markets care most about—profits—held remarkably well. On top of which the emergence of the artificial intelligence phenomenon promised innovations comparable to the introduction of the internet late in the last century and all the profits, real or imagined, that might accompany the latest wonder.

So, despite a rough start, 2025 turned into a perfectly respectable year for equity investors, with the S&P 500 up 16%, 17.87% with reinvested dividends. These are above average returns and the third year in a row of double-digit gains. I never would have predicted it, but I'm happy to live with the results.

The performance of the accounts for which we at Weybosset Research & Management LLC are responsible fully participated in the advance of 2025, as our median return was almost exactly that of the S&P 500 with reinvested dividends.

However, we had a much higher dispersion in results last year than in years gone by because of a policy by which we have long abided, and that is that we do not sell winning stocks simply because their prices are up. I'm sure you remember that Justin and I have complained for years about a handful of S&P stocks dominating the performance of the index. In the 2010s that handful was the tech giants Facebook (now Meta), Amazon, Apple, Microsoft and Google; in 2023, the so-called "Magnificent Seven," a slightly different set of large-cap tech companies; and in 2024-25 artificial intelligence names like Nvidia. Despite

owning none of the heroic stocks (or recently only one), our returns have been competitive with the averages thanks to the performance of our own set of heroes, prominent among them a company that auctions off wrecked cars on behalf of insurance companies, Copart.

We first bought Copart in 2002 and have been shareholders ever since. We are fortunate in that we have made thousands of percentage points of return since that first purchase. But not in 2025. In 2025, Copart stock lost nearly a third of its value. As a result, the more Copart in an account—and for those who have owned it a long time, that can be quite a bit of Copart—the less well the account did relative to those who did not own so much. This is the exact reverse of the way things have gone for the last 23 years.

What happened? Copart is the same great company it has been since its founding in 1982 by Willis Johnson and Jayson Adair. But the stock got ahead of itself, out over its skis, one might say. Year after year of outstanding operating results resulted in a stock with a sky-high valuation, more than forty times earnings. When business slowed just a little, the market's reaction was not favorable, to put it mildly.

But as I said, Copart remains the same great company we bought and have been buying ever since 2002. If anything, it is better, as it has come to dominate its industry in a way no competitor threatens. Its balance sheet is truly reminiscent of Fort Knox; financial performance remains exceptional, and new growth opportunities—especially abroad—abound.

If, in respect to the high valuation the stock has been accorded, the fact that the stock has been a real superstar, and just out of the urge to “lock in” profits, we had sold some or all of our Copart in 2025, we would have had to deal with a host of ensuing problems such as: 1) in taxable accounts we would have incurred significant tax implications-- for every \$100 we sold, we would not have had \$100 to put into a new investment; we would have to reserve something like \$20-\$30 for the tax men; 2) replace this magnificent stock with what? We already have a proven winner—where are we going to find “the next Copart”? They don't grow on trees. 3) By selling a winner, we interrupt the process of compounding, our main goal in the investment game. Compound returns become simple returns.

Sometimes a successful investment does need to be sold, but at Weybosset Research, only if the fundamentals change. Business fundamentals do change, and changes need to be evaluated with a clear eye. Buggy whips, for instance, are not coming back, so even the very best buggy whip company is of limited interest in our shop.

This is clearly not the case at Copart. As I said, this is if anything is a better company than we bought 23 years ago. The stock price had simply outpaced the performance of the business. (At more than 40 times earnings, how does any company satisfy expectations?).

We prefer to stick with a proven winner even if it costs some relative performance. Business will eventually surpass the share price, and we will again “sing in the sunshine,” as the old song goes.

The good times 2025 evinced continue into 2026 as the stock market’s enamoration with a short list of large technology companies seems to have given way to a willingness to buy good businesses not headquartered in Silicon Valley. If the rest of the year proceeds as its first two weeks have, 2026 will be a year to celebrate. (I’m not making a prediction—perish the thought! I’m merely referring to the fact that my fingers are tightly crossed.)

I would like to conclude my portion of this communication as Justin begins his, and that is by thanking you for your support, lo, these 25 years at Weybosset Research. I like to think that our success depends entirely on your financial success, and that we do indeed enjoy an excellent business relationship.

Thank you,

Fla

Dear Fellow Investor:

It is with a profound sense of gratitude and reflection that I write to you this quarter. This year marks a significant milestone for Weybosset Research & Management: our 25th year in business.

A quarter-century is an eternity in the financial world. It is a period that we have weathered two major market crashes—the bursting of the dot-com bubble and the Great Financial Crisis of 2008—as well as a global pandemic and countless market corrections.

We have navigated one of the most aggressive interest rate tightening cycles in the Federal Reserve's history, alongside shifting tariffs (which triggered a 20% market drop in just three days this year), geopolitical conflicts, and the rise of technologies that were mere science fiction when we opened our doors in August 2000.

It is a testament to the power of compounding—and the quality of the businesses we own—that despite five economic shocks in the last five years, the markets have proven resilient and your net worth sits at or near all-time highs.

The accounts for which we are responsible ended 2025 up roughly 15–20%. While specific performance may vary based on the duration of your partnership with us and individual timing, we are very pleased with these results, I hope you are too.

For context, the market-weight S&P 500 finished the year up 16%, while the equal-weight S&P 500 finished up 10%.

We had some very strong performers this year that helped us reach this mid-teens to twenty percent conclusion- think search and ai, jet engines, and newspapers.

It may be that the kinds of companies in which we invest—'shiny new tractors and wrecked cars,' for instance—will at last receive the attention they deserve from the investing public.

An ascent in price to full value for these stocks, or better yet, an overshoot to over-valuation, would do wonders for our respective net worths. We are hopeful that a respectable 2025 will segue into a delightful 2026

Throughout these twenty-five years, my partner, Fla, has built an extraordinary business predicated on three immutable pillars: loyalty, integrity, and providing tangible value for our clients through all types of markets.

Fla's vision from the beginning was to create a firm where the clients have "faces and mothers," and where our success is inextricably linked to yours. In keeping with our commitment to integrity and loyalty, our own net worth is invested identically to yours. We don't just manage your wealth; we **share your outcomes**.

I have had the privilege of being part of this mission for the last 11 years. I truly enjoy working alongside Fla and Jeannine; Jeannine's exceptional focus and commitment to client service ensure that our operational foundation is as strong as our investment conviction.

The partnership I share with Fla is one of the most rewarding aspects of my professional life. We speak multiple times a day, yet in over a decade of working together, we have never had an argument. Perhaps more importantly, we have never had an "I told you so" moment when an investment didn't work out exactly to our liking. We share a singular focus on the process rather than the ego.

My love for this craft grows every year. There is a deep, quiet satisfaction in the process of compounding—in owning wonderful businesses for years and seeing that work positively impact your lives. Knowing that our discipline helps afford our clients a comfortable retirement, a new home, college education, philanthropic endeavors, and allows your family members to pursue their own true interests, is what drives me to look forward to the next 25 years.

The Art of Not Losing

In thinking about our strategy over the decades, I am reminded of a recent commentary by Howard Marks of Oaktree Capital regarding the "asymmetry" of investing. Marks notes that while everyone wants to find the next "moonshot," the real secret to long-term compounding is often the avoidance of big losers.

This is particularly relevant today, as we witness a shift in the market toward pure speculation. No one wants to get rich slow. We see brokerage firms expanding into "prediction markets," where individuals increasingly make bets on non-financial outcomes.

Let us be clear: this is not investing. It is gambling. At least if you go to a casino for entertainment, they might comp your drinks or your room (!!). In the digital prediction markets, the house takes its cut and leaves you with nothing but the risk.

Our strategy remains the polar opposite. We avoid the "zeros" and the "moonshot" mentality that has gripped markets. We much prefer to learn from other people's mistakes—it is a far more pleasant way to learn hard lessons than experiencing them ourselves. Marks argues, and we agree, that he would much rather own the "titans" than flashy startups.

Even the gold standard of quality, Berkshire Hathaway, has seen its stock price decline by 50% or more on three separate occasions over the last sixty years. It is a sobering reminder that even the world's best companies are subject to the market's inherent volatility; as I've noted before, the average intra-year move for an individual stock can be as high as 100%.

These titans possess the balance sheets, the distribution, and the cash flows to weather the inevitable shakeout. However, a fortress-like balance sheet is just as vital for the investor as it is for the company. This is why we always stress the importance of personal liquidity.

By maintaining at least one year's worth of living expenses in cash, one has the "staying power" to ride out any stock market correction—or worse—without being forced to sell wonderful businesses at the wrong time. This cash buffer isn't just a safety net; it is the psychological foundation that allows the math of patience to work.

Our opinion is that if we can avoid the catastrophic losses of speculative dreams, the winners in our portfolio—the high-quality, durable businesses—will take care of the compounding.

The Math of Patience

One of the most powerful, yet often overlooked, drivers of wealth is the avoidance of unnecessary taxes. In *Poor Charlie's Almanack*, Charlie Munger pointed out that a portfolio burdened by a 35% annual tax hit can effectively 'squash' your net return by about 3.5% every single year.

Over a long-term horizon, that small percentage gap compounds into a massive sum of lost wealth. This concept—often called the '**Tax-Efficiency Alpha**'—is one of Munger's most vital lessons.

It explains why a lower-turnover strategy (Weybosset) often outperforms a 'frenetic' one (trading in and out in less than a year), even if the latter has higher gross returns.

By holding our best investments for the long haul and deferring those tax payments, we aren't just being patient; we are essentially keeping a massive, interest-free loan from the government working for us. In the world of compounding, what you *keep* is ultimately more important than what you *make*.

Few people today think about the long term. We believe that is our edge—patience and discipline.

Compounding Information: The "Poor Charlie" Approach

Our investment process is often "radically old-fashioned," focusing on the far horizon. Recently, I've spent a great deal of time revisiting *Poor Charlie's Almanack* (2023 edition). The Munger philosophy is our North Star: great investing requires "sitting on your ass" and reading (thinking). It's amazing the return on investment one can get from a 30\$ book (!!)

Bertrand Russell once dryly observed, "*Most people would die sooner than think—in fact, they do so.*" In an era of instant gratification and 280-character financial analysis, this sentiment has never felt more accurate.

We spend thousands of hours compounding information. Like Munger, we think in "mental models," recognizing that the world is deeply interconnected. We look for companies that are interwoven into the fabric of America. Companies that will prosper as the American economy prospers.

We don't look at a company in a vacuum; we pore through financials across entire industries to understand how a business performs against its peers. We want to know why one company has better margins than another, why its capital allocation is superior, and how its moat is being reinforced.

This discipline requires a rare temperament. Some years, we may do nothing at all; other years, we make a few calculated, significant investments. We believe in putting all your eggs in one basket and watching that basket very closely. Because of this rigorous selectivity, I can say with conviction that we believe this is our strongest portfolio ever.

I have never claimed to be the smartest person in the room, but I strive to be among the most consistent. Emotional control—remaining rational when others are euphoric or fearful—is our sharpest edge. This edge has always been valuable, and it will remain so.

In financial markets saturated with commentary and instant feedback, temperament deserves an even greater premium. The enduring lesson: Intelligence is common; emotional discipline is scarce.

Market Dynamics: Google, Nvidia, and the "Big 7"

The market narrative of 2024 was dominated by the "Magnificent Seven," but 2025 has told a different story. While Nvidia has been the poster child for the AI revolution, it is noteworthy that Alphabet (Google+66%) has outperformed Nvidia (+28%) this year.

While the market was bidding Nvidia to nosebleed valuations, Google continued to generate massive cash flow from its core search business while quietly integrating its AI advantages into a platform used by billions.

We purchased Google a full year before Berkshire Hathaway began building a position—a gratifying "nod" when the Oracle of Omaha validates your thesis.

As we approached the end of the year, a shift in market dynamics became evident. While the "Mag 7" have historically dominated the narrative, their absolute control over the market's direction began to wane as a broader range of stocks started to participate in the rally.

This transition highlights a healthy diversification in market leadership, even as several members of this elite group showed signs of faltering in the final quarter.

Green Shoots in the Cyclical Economy

For the past thirty-six months, many parts of the real economy—specifically transportation, housing, and industrials—have been in a "rolling recession." High interest rates and post-pandemic inventory gluts slowed these sectors to a crawl. However, we are finally seeing "green shoots."

The cyclical economy appears to be abating its downturn. This is excellent news for the Weybosset portfolio, which has always been anchored in the "stuff" of the world. While speculative "concept stocks" are falling behind, the high-quality leading companies in our portfolio are the true beneficiaries of technological advancement.

We believe that the ultimate winners in the AI race won't just be the companies selling the "shovels" (the chips), but the established industry leaders who use these tools to fortify their businesses.

In the short term, markets can overestimate technological changes, yet they often dramatically underestimate them in the long run.

Consider Amazon in 1999: at the height of the bubble, its stock stood at 243, only to plummet 90%!! to 26 shortly thereafter. However, for those who understood the long-term compounding potential of the business, that same stock has proceeded to go up by 1800x by 2025.

It is worth noting that Google wasn't even a public company until 2004 (and its Chrome browser wasn't created until 2008), and the iPhone—which changed the world—didn't even come along until 2007.

Great management teams don't just want to survive; they want to win. Because our companies have fortress-like balance sheets and exceptional leadership, they are able to invest in technology to widen their competitive moats.

These teams think like business owners—they aren't chasing the "shiny object" for a press release; they are implementing AI to drive margins, optimize logistics, boost productivity, and deepen customer loyalty.

We see this across our holdings—a few listed below:

- **FTAI Aviation (FTAI):** Benefiting from massive demand for engine maintenance and using proprietary data to stay ahead in the global travel recovery.
- **Deere & Co (DE):** Using autonomous technology to revolutionize farming—AI in the dirt, where it produces actual yield and keeps competitors at a distance.
- **Chubb (CB):** Leveraging AI and decades of data for sophisticated insurance pricing and risk assessment that smaller peers simply cannot match.
- **C.H. Robinson (CHRW):** Utilizing AI to optimize complex logistics and routing, proving that even the most "physical" industries are being reinvented by those with the capital to lead.

As we look toward 2026, we remain committed to the same process that has guided us for 25 years. In his last letter to investors, Warren Buffett offered a piece of advice that resonates deeply with our culture at Weybosset: *“Choose your heroes very carefully and then emulate them. You will never be perfect, but you can always be better.”*

We will continue to avoid speculative "moonshots" in favor of the titans of industry. We will continue to spend our days reading and thinking, waiting for the market to give us those rare, high-conviction opportunities.

Most importantly, we remain steadfast in our belief that while markets may fluctuate, one should never bet against the ingenuity and long-term resilience of America.

Thank you for your continued trust and for being part of the Weybosset family. We are honored to manage your capital and look forward to the next quarter-century.

Sincerely,

Justin Edward Deutsch

Market weight

The S&P 500 Index is 'market-weighted,' meaning companies with the largest market values have the biggest impact on the index's price movements. The index measures the performance of 500 large-cap U.S. stocks and is widely used as a benchmark for the overall U.S. equity market. Index returns do not reflect fees, expenses, or sales charges."

Equal weight

The S&P 500 Equal Weight Index is the equally weighted version of the S&P 500. It includes the same 500 companies, but each company is allocated an equal 0.2% weight at the time of each quarterly rebalance. This approach provides a broader representation of the average stock's performance and reduces the concentration risk associated with the largest companies in the market-capitalization-weighted index.

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