MH & ASSOCIATES • SECURITIES MANAGEMENT CORPORATION

INVESTMENT VIEWS

OCTOBER 31, 2025

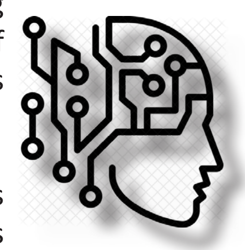
NAVIGATING UNCERTAINLY WITH AWARENESS AND DISCIPLINE

> *"Uncertainty is the new normal - buckle up"*
>
> *Kristaline Georgieva, IMF Managing Director*

Previous newsletters have highlighted the fact that we are living in uncertain, unsettling times. It is our duty to continue to reiterate this to our clients and friends every so often. While it is definitely not a message of gloom and doom, it is about being prepared mentally for periods of crisis and volatility. Certainly, the world is full of exciting new developments, innovations and positive change - there are also serious problems that are being worked out in real time.

It is important for investors to stay aware and alert of the economic, political and financial environment around them. While the economy may be shifting and uneven, certain parts of the market are becoming euphoric and expensive. Political events are increasingly a factor in investment outcomes, both ways. Interest rates, inflation and fiscal issues are staring investors in the face. None of this should be frightening or overwhelming, rather awareness, planning and a cool head are the keys to navigating these uncertainties. One key thing to remember is that the media's job is to get people to watch/read/listen to their commentary. This is their bias and they are not interested in you making money. They want attention which draws in revenues and this often means they will try to scare the public to do it. Just remember all the magazine covers predicting crashes and doom. Avoid the noise as best you can and do not let emotion drive decisions that involve your money.

AI EUPHORIA



A recent survey of Goldman Sachs clients revealed that investors have serious fear of missing out (FOMO) in artificial intelligence investments. Indeed, many of our clients have wondered if their portfolios are well positioned for this amazing innovation. While much of the euphoria is justified, we are starting to note some concerns in this sector.

First, valuations for obvious plays such as Nvidia have become excessive, assuming continuous strong growth for years. Also, when a company includes “AI” in any of their news releases, it is often greeted with an automatic pop in the stock price. Furthermore, we have witnessed a growing amount of reciprocal business investments and deals between AI companies, where one company might invest a few billion dollars in another company, only to have the other company make a billion dollar purchase of the first companies services. Lastly, many of the big tech companies developing AI are taking on increasingly larger amounts of debt, building out data centers on the assumption of an easy pay off in the future. Some people are likening this to the internet bubble of the early 2000s and similarities do exist. Both bubbles are trying to deal with building infrastructure to satisfy demand that may be decades off. Video streaming was a big thrust of the tech bubble spending. YouTube didn't come around until 2005 and Netflix in 2007. The spending then has probably finally paid itself off 25 years later. As for the AI bubble, the trillions of dollars being splashed around could take many years until demand meets supply. Early revenues are bound to start disappointing the market and that could start another lost decade like we had in the 2000s.

AI is certainty going to be one of the greatest innovations of the 21st century. It will dramatically impact of lives in ways that we can only imagine. However, investors need to mind the situation and keep a clear head about the realities of this sector.

CENTRUS ENERGY

Faster Than Anticipated

One of our nuclear energy plays has turned into one of the best performing stocks of 2025 – Centrus Energy (LEU). This nuclear fuel broker, turned advanced nuclear fuel manufacturer is a holding we added a couple of years ago when we realized that nuclear energy would have a renaissance. There was much uncertainty and so we kept the position size small, realizing that if LEU is able to realize their potential, even a small position would become very meaningful.

We expected this vision to mature over several years, allowing a careful assessment of each step in their development. The market rarely does what is expected and the gains we were hoping for over the next few years materialized over the course of a few months this summer. Indeed, nuclear energy became an AI beneficiary. Several large investments by private companies, along with guarantees from the federal government have propelled the shares of LEU to well over 10 times gains! We were forced to take profit several times as the price of LEU would move 30% or more in a day. We feel very fortunate to have entered this investment for our clients – even if it did not go the way we had planned.

STABLECOINS

Innovation or Scam?

With the passage of the Genius Act this past summer, stablecoins – crypto currencies backed by US Treasuries and having a stable value of $1 - seem to be finding their way into the mainstream of US finance. Many large reputable firms, including Visa, PayPal, Western Union, Franklin Templeton and many others have begun issuing stablecoins and allowing their customers to transact using the blockchain tokens. Skeptics have called them a scam and an invasion of privacy, warning people not to keep large sums of money in stablecoins. However, the Genius Act creates a regulatory framework to ensure that these coins are managed properly. And one of the benefits of blockchain technology is transparency, which allows regulators to easily monitor stablecoin activity.

Like any innovation, cryptocurrencies and stablecoins will have their doubters and their trials. However, it is likely that these innovations will end up being an important part of our future. Currently, our portfolios have a position in Coinbase (COIN), one of the leaders in the cryptocurrency space. Given the opportunity, we plan on adding more to COIN or possibly find another investment in this area.

WARNING SIGNS

The last half of October tends to be seasonally bad for the stock market. However, this one has been an exception as the major indices have all hit new all time highs this month. Sure we had one of the biggest one-day drawdowns in the S&P 500 in months coinciding with a spike in the volatility index to above 30. The market has continued to climb regardless, but one warning sign tends to beget another.

Market breadth is something that we have discussed in the past, but in brief we want to see a market rally occurring on the backs of many stocks not just a select few. Breadth though has been quite good which is keeping the market in bull territory. That said, there are some cracks showing led by the number of stocks in the index above their longer term moving averages. The percentage of stock holding above there levels are falling while the market hits new highs. This is breadth deceleration and these stock need to rebound soon in order to prevent a larger drawdown. The indicators can be rehabilitated though and price is the ultimate arbiter.

On a positive note, years that see the trailing twelve month period that encompasses one October to the next having a return greater than 10% (this is one of those trailing years), have had a year end rally 39 out of 40 tries. That is a pretty good record and it's impossible to have a correction if prices keep going higher.

Recommendation List: A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email lara@mhandassociates.com or call our office for this list.

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