



STAYING FOCUSED: THE IMPORTANCE OF TUNING OUT THE NOISE

The first several weeks of 2025 have featured a continuous stream of news headlines related to the markets and the economy. The headlines have covered a wide spectrum of economic news, including everything from the introduction of a new Chinese artificial intelligence (AI) model that claimed to be as powerful as others for far cheaper, to tariffs issued by the new Trump administration and executive orders on previously authorized spending; there has been a lot for people to process. Due to the rapid pace of this new activity, investors are wondering “What’s next?” and in recent weeks have been asking questions like “Will there be a takeover of the Federal Reserve?” or “Will the FDIC be eliminated?”

The natural human tendency in times like these is to worry and wonder if one should “do something.” History contains numerous examples of why investors are ill-served in reacting to these types of short-term news headlines. Recently there have been two such examples. The first example is the reaction to the 25% across-the-board tariffs on trade with Canada and Mexico announced over the first weekend in February. That Monday, the stock market opened sharply lower, as one might expect. During that day and evening, the administration negotiated 30-day extensions on these tariffs in exchange for additional resources for border control issues. By Wednesday, February 5, the market closed higher than its closing value on the Friday prior to the tariff news.

The second example is the reaction to the release of the new Chinese AI language model called DeepSeek over the final weekend of January. The Chinese claimed this model could match the power of American models at a fraction of the cost. The following Monday, the share prices of AI stocks fell sharply, some as much as 15–20% in 1 day.

After it was discovered that the cost savings of DeepSeek were wildly inflated, most of these stocks recovered nearly all of the losses sustained that Monday.

These two recent examples illustrate the reason why, at Compass, we stay focused on the long-term outlook for the companies we own in client portfolios. By patiently analyzing the details of these situations, we can avoid making a reactionary sale that would negatively impact client returns. For example, we know that Amphenol,¹ one of our portfolio companies, keeps their manufacturing and distribution located near to their clients around the globe. Therefore, this company has minimal exposure to tariff worries. Because we know the details of how they operate, we are happy to purchase more shares when the share price drops due to the market being concerned about tariff policy.

The Compass team has heard from many of our clients in recent weeks and have had numerous conversations relating to these current events. We are always happy to have these discussions so that we can better understand our clients’ perspectives and have a chance to explain why their results are better served by tuning out all of the noise around us. This is more challenging during periods of uncertainty and when there is an increased volume of news headlines that sound promising to some and sound ominous to others. By keeping the focus on your long-term goals, we can help you avoid making mistakes in the short term.

We would love to talk to you about your goals and how we can help you develop a long-term plan to meet those goals.

¹ Portfolio holding as of 3/1/25. Illustrative purposes only. Not a recommendation to buy or sell.



FIRM

INVESTMENT COMMITTEE

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AUM

\$2.1 billion

INCEPTION

1988

COMPASS PHILOSOPHY

As an independently-owned firm, Compass provides customized investment services to individuals, foundations/endowments, trusts, and retirement plans. Our objective is to preserve and enhance the real purchasing power of our clients' wealth over time.

Our clients value working directly with a seasoned and experienced team of portfolio managers to help them navigate their investments relating to:

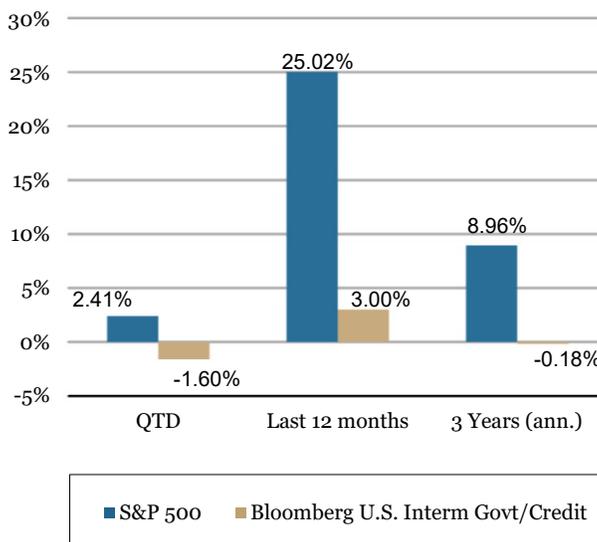
- Building a quality portfolio
- Divorce
- Retirement
- Inheritance
- Sale of a business
- Trust distribution

Our experienced team is always available to provide financial advice and review your financial assets.

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MARKET INDICES

Total Return as of 12/31/2024



For more information regarding our company or results, please contact us at investors@compasscap.com.