Executive Summary

Performance in the 4th quarter was ahead of the OS's benchmark and ahead of the S&P 500. It was a good quarter. Some of the stocks held in the strategy performed very well in the 4th quarter. The high allocation to fixed income is a drag to returns when stocks are performing very well but still is a prudent approach in a highly valued market. We are skeptical US growth will be as strong as forecast this year. Therefore, despite fiscal sustainability concerns creating some selling pressure in long bonds, the strategy believes economic growth disappointment will create a counterbalance to that selling and lead to modestly lower long-term rates by the end of the year.

The Opportunistic Strategy returned 6.1% in the fourth quarter of 2025, ahead of its benchmark and the S&P 500. OS stocks for the most part performed well in 2025 but the risk-reward became less favorable as the year progressed and many positions were trimmed or sold outright. A lot of the excess cash raised was invested in long-term municipal bonds. The investment in long-term municipal bonds is a trade.

As of 12/31/2025	QTD	YTD	1 year	3 year	5 year	Since Inception
OS	6.1%	32.0%	32.0%	18.9%	14.8%	16.3%
Benchmark	4.2%	20.5%	20.5%	14.9%	10.3%	9.7%
SPX	2.7%	17.9%	17.9%	22.9%	14.5%	15.0%

Inception: 9/1/2016

The rationale for investing in long-duration municipal bonds is the same as it was last quarter. Strong economic growth coupled with fiscal sustainability concerns does raise the risk of treasury yields moving higher and municipal yields moving higher in lockstep. However, the OS believes economic growth will undershoot forecasts this year leading to lower short-term interest rates. In addition, there is some room for muni yields as a percentage of treasury yields to move lower. Those two factors will outweigh fiscal sustainability concerns and lead to modestly lower municipal yields and a good total return.

Stock prices don't seem to reflect much of a risk-premium these days. Because of that, a heavy allocation to fixed income will remain in the strategy. There is the possibility of shifting between fixed income asset classes.

There also is a modest cash position that needs to be invested. Being patient and waiting for stock prices to reach comfortable buy levels seems to be the right approach in a risky market.

Canadian Solar had great quarter. Two main things happened. The most important is the solar stocks and particularly those with big battery operations became "AI" plays. In the 4th quarter, investors started to view solar stocks as beneficiaries of the shortage in electricity. Additionally, Canadian Solar took steps to restructure ownership of its US manufacturing assets away from its Chinese subsidiary to its US subsidiary. That is economically beneficial to the holding company.

Nokia's stock had a strong quarter. This was largely due to Nokia becoming an "AI" stock. Belief AI investments will lead to a surge in network investment pushed the stock higher. Nvidia also bought a 3% stake in Nokia. A Nvidia investment generally causes stocks to move higher as it is a strong vote of confidence.

Bayer provided a nice return in the quarter. There is optimism the Monsanto litigation could be drawing to a close. The Supreme Court decided to hear a case that could benefit Bayer. The pharmaceutical unit is executing well, Nubeqa is doing very well in prostate cancer. Even Bayer's Asundexian drug had a little bit of a revival as it had a positive stroke readout. Also, there are some new products on the horizon for the agricultural unit that should lead to growth. It seems the risk-reward is balanced at the moment so the strategy might look to trim Bayer.

Advancers/Decliners	2025 4Q Return
Canadian Solar Inc.	85.0%
Nokia Oyj	35.3%
Bayer AG	30.5%
Viatris Inc.	27.2%
Macy's Inc.	23.8%
Evonik	<9.5%>
Xperi, Inc.	<9.7%>
Amarin Corp.	<14.8%>
Alibaba Group	<18.0%>
Coursera	<37.2%>

Viatris is stabilizing its business. It has moved past its Indore factory closure. The generics business is not quite the drag it once was. There are some growth drivers on the horizon with some positive readouts and likely some more soon. Viatris traded at and still trades at a pretty low multiple to earnings so signs of business stabilization can lead to strong price appreciation.

Macy's continues to execute well in a difficult environment. The market has become more upbeat about Macy's prospects as it has been executing well. However, there still is plenty of skepticism about the business model of department stores. There is still more upside to Macy's if it can prove the skeptics wrong.

Evonik is a European chemical manufacturer. Conditions are very tough for chemical manufacturers. Evonik is a little less exposed to cyclical price swings than others but still has been caught up in the chemical industry slowdown. It seems Evonik's stock price has reached a point where downside is limited and if market conditions improve, the stock has strong upside to it.

Xperi's stock price continues to struggle. Investors are skeptical its TV OS system will generate meaningful revenue. We are skeptical too but their stock price is so beaten down that it still can provide a strong return even if ad revenue from TiVo OS disappoints.

Amarin is a microcap stock that is prone to volatility and got caught in a downdraft during 4Q. Amarin is an interesting stock because once it sells off to a certain point, the stock essentially reaches its cash value and there is no debt. That provides very good downside protection. It is not a forgone conclusion that it's one drug Vascepa/Vazkepa will languish. The drug very well could provide stable revenue in the US and have a healthy growth rate internationally. It seems investors believe the odds of this are very slim. One gets a cheap option on an upside surprise.

Alibaba's stock price had a correction in the 4th quarter after a very strong 2025. There was some profit taking. It is not certain AI companies in China will be able to make a lot of money off AI in a fiercely competitive environment. There still is some risk Alibaba could end up a part of US government restrictions and that too led to some selling.

Coursera's stock price has struggled. The company is executing fine. It announced a merger with Udemy in the 4th quarter that at first was received well. But since it has been a slow steady decline in the stock price.

The company is currently only slightly profitable so there hasn't been a valuation backstop to stem the stock decline. Pessimism towards online education continues. AI is viewed as a threat. However, Coursera continues to attract a lot of users to its AI courses so AI also is an opportunity. The strategy is holding Coursera. It might add to it at some point. The merger wasn't a bad idea. Pessimism is overdone.

A major focus of the strategy is to redeploy a lot of excess cash that built up in the later part of 2025. Patiently waiting for opportunities to present themselves this year is the approach that will be taken.

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