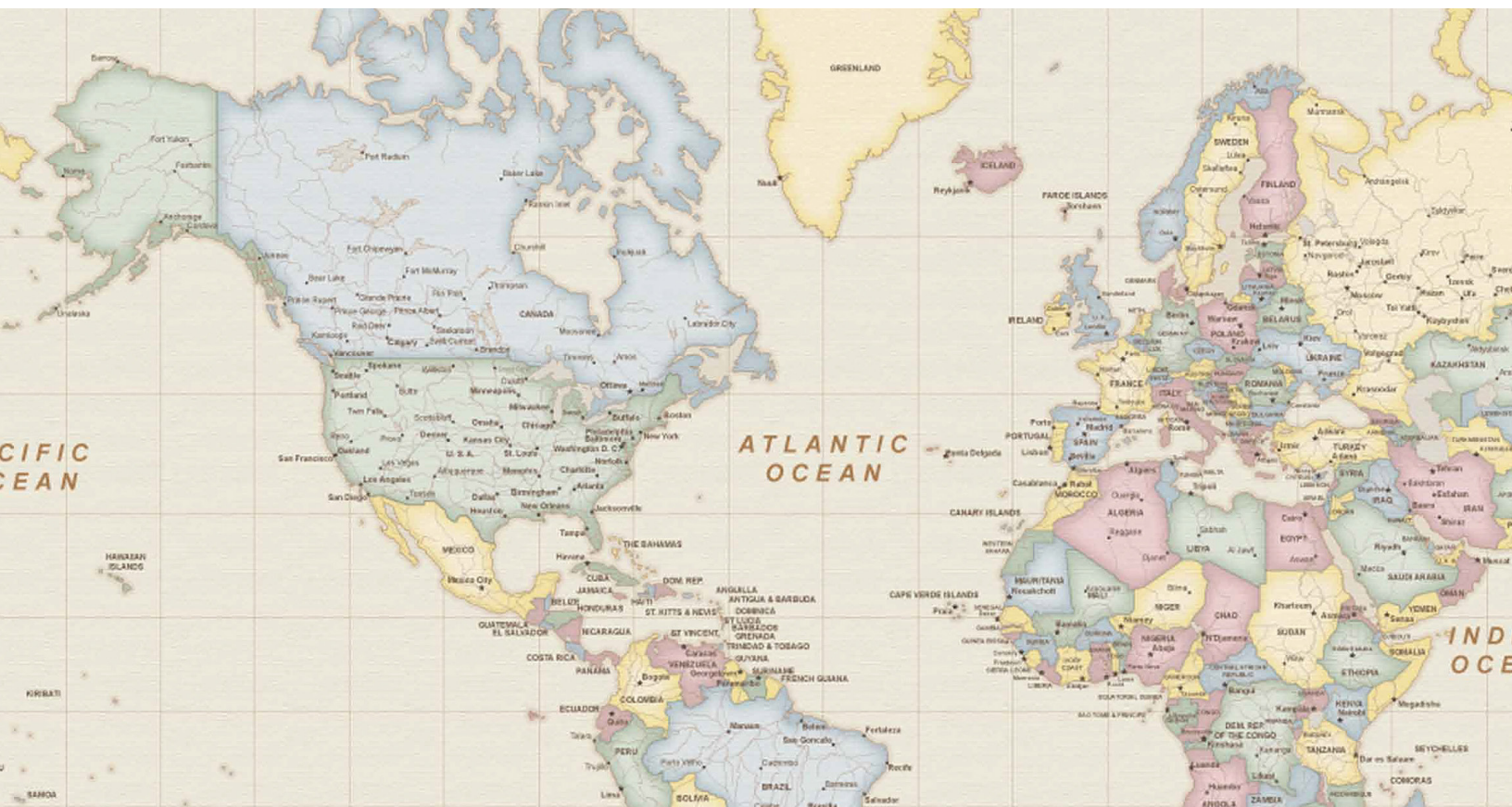


# DASH INVESTMENTS

## DASH INVESTMENTS

### QUARTERLY UPDATE



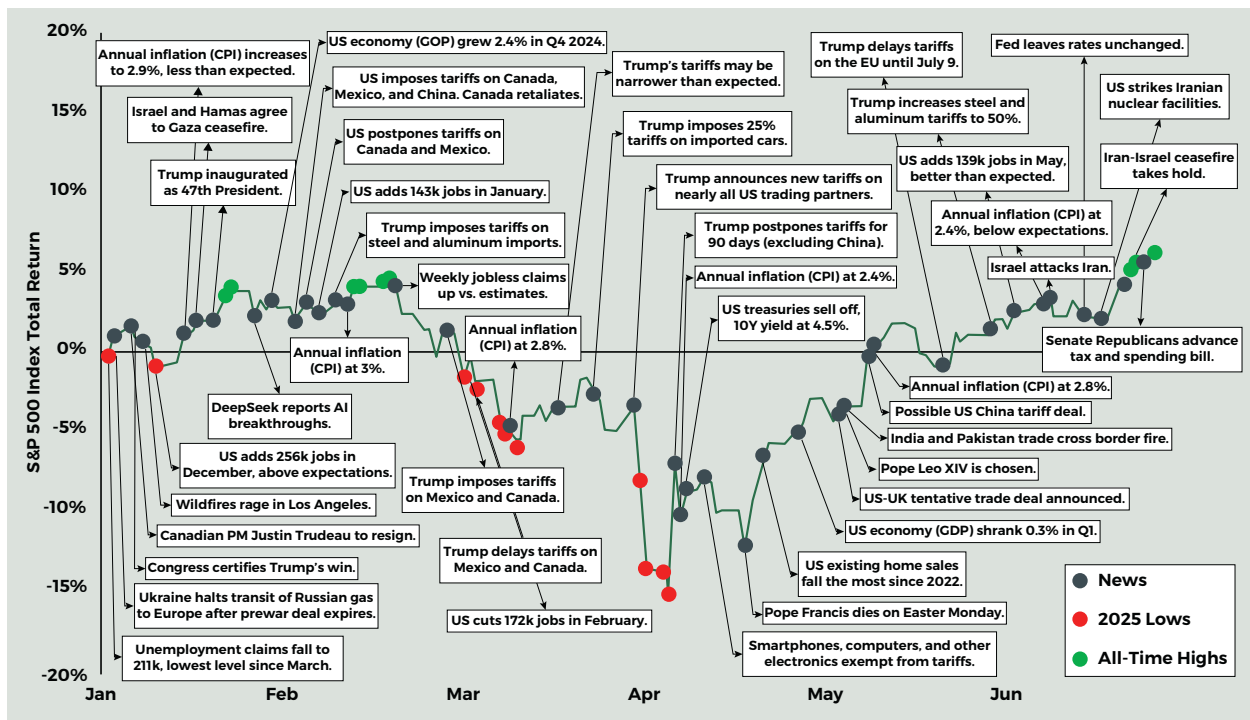
To Our Partners,

August 2025

As we move through 2025, I wanted to take a moment to reflect on the market dynamics we've experienced so far this year and share some insights on what lies ahead. The second quarter brought significant shifts, and with recent policy developments like the One Big Beautiful Bill Act (OBBBA), there are important implications for your financial planning. Below, I'll review the market environment, discuss why recessions shouldn't derail your long-term strategy, highlight key reasons for both optimism and caution, and outline how the new legislation may impact you.

### Market Review: From Risk-Off to a V-Shaped Recovery

With the calendar flipping from Q1 to Q2, the market environment shifted from extreme "risk-off" sentiment to the exact opposite—a historic rebound characterized by increasing speculation and risk appetite. The market entered 2025 wholeheartedly, embracing the new administration's pro-growth policy agenda, while simultaneously minimizing or altogether overlooking any potential tariff-related and valuation headwinds. With positioning completely offside, the market quickly recalibrated risk, prompting a swift drawdown in the Index from mid-February through early April.



In the second quarter, as near-term market uncertainty around reciprocal tariffs dissipated, it set the stage for a +33% recovery rally—12% of which came on a single day (April 9). Notably, the rally was not broad-based, with less than one-third of Index constituents outperforming the overall return. Two connected themes largely defined the rally: AI leadership and highly cyclical businesses.

**Why We Don't Fear Recessions—And Neither Should You**

Investors often ask whether a possible recession on the horizon should change an investor's long-term strategy. The short answer is no—because while recessions are an inevitable part of the economic cycle, they are neither permanent nor a reason to deviate from a disciplined investment plan.

**Recessions Are Normal, Recovery Is Inevitable**

Historically, recessions occur approximately once every 5 to 10 years. They may feel unsettling, but they are temporary slowdowns—not permanent declines. More importantly, every recession in history has eventually been followed by recovery and expansion, often leading to new market highs.

**The Stock Market Looks Forward**

Markets are forward-looking, typically beginning to rebound well before the economy recovers. Attempting to “wait out” a recession risks missing these crucial turning points, when some of the strongest market gains occur. Staying invested ensures that clients participate fully in the eventual upswing.

**Long-Term Growth Outshines Short-Term Fear**

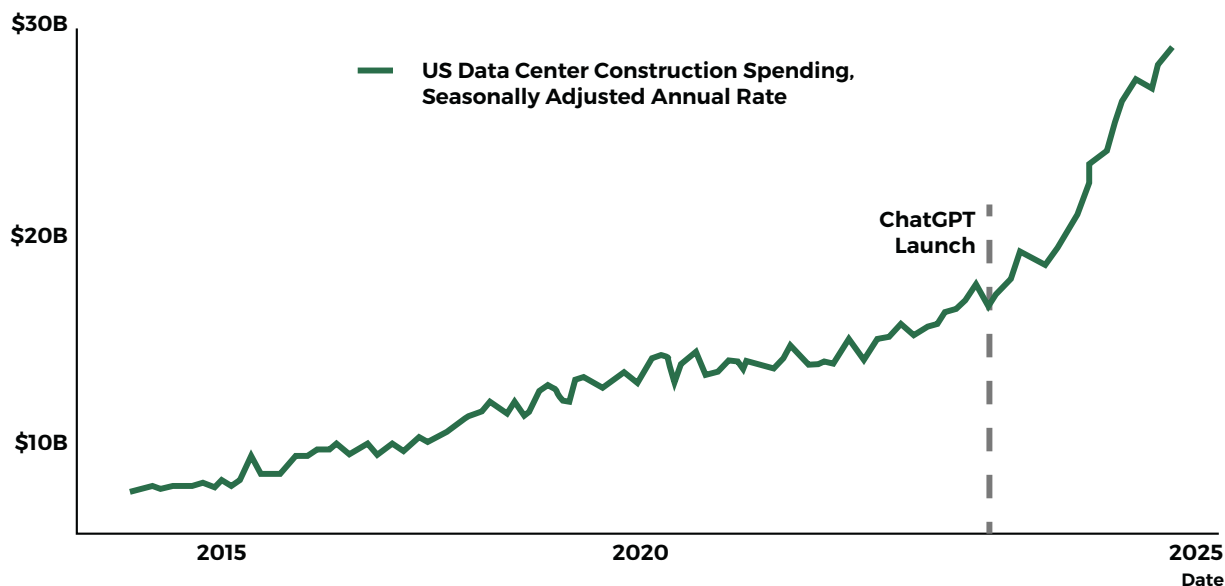
Over time, markets have rewarded patient investors who stayed the course. For a portfolio that is properly diversified, cost-efficient, and tax-aware—like those we build at Dash—temporary economic contractions have proven to be mere detours on the road to long-term wealth creation.

### Key Reasons for Optimism

- **The Ongoing Benefits of the Digital Revolution With the Added Impact of Artificial Intelligence**  
AI impacts corporate efficiency in much the same way as the introduction of electricity impacted the economy a hundred years ago. In addition, billions are being spent to build data centers and to expand computing capacity. Consequently, robust profit margins have helped amplify earnings growth during this period, which in turn helps explain why the stock market has been setting record highs. The charts below show productivity gains and investment over time.

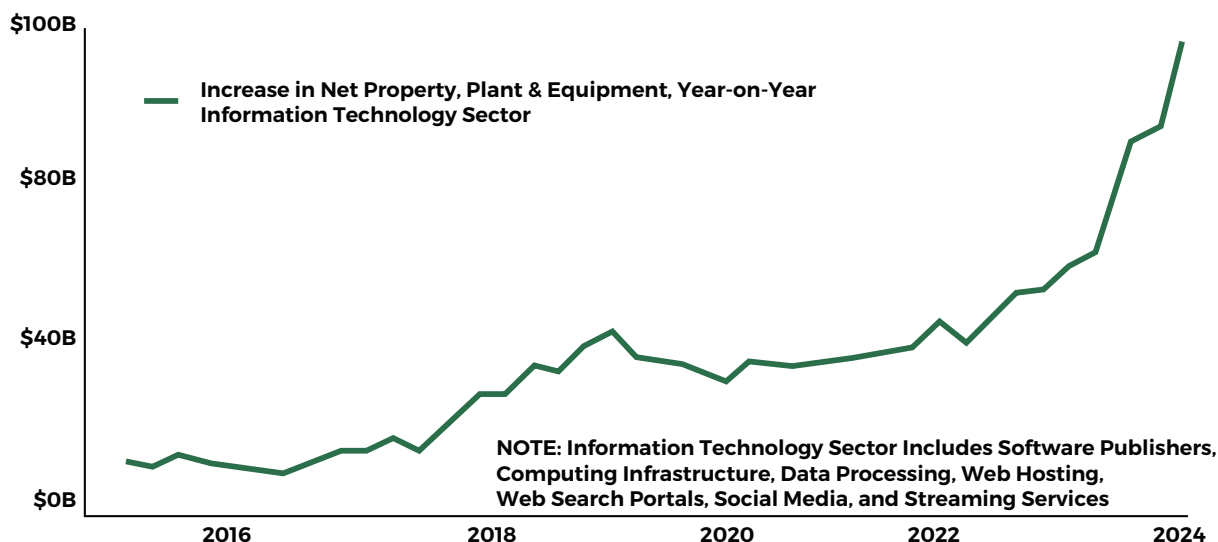
## Data Center Construction at Record Highs

Data Center Construction Spending Is Skyrocketing Amidst the AI Boom

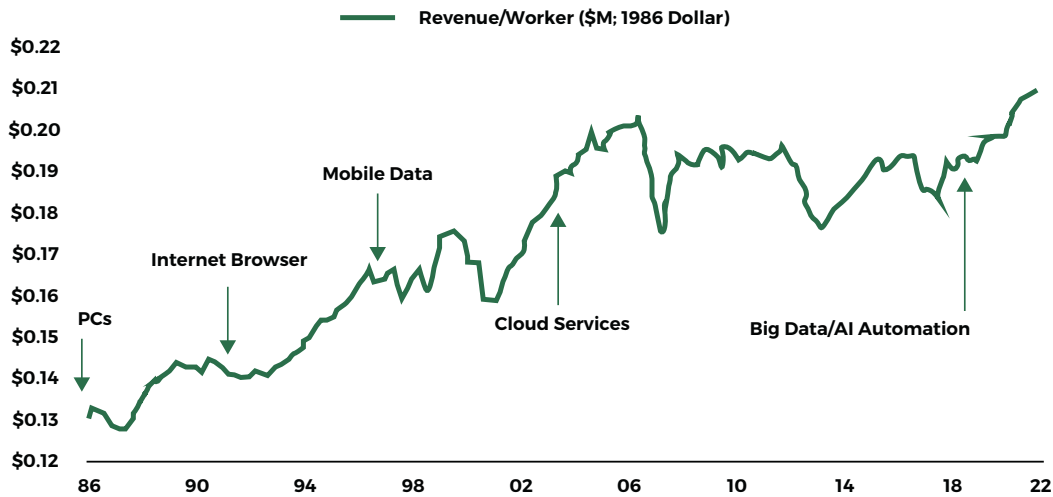


## Information Tech Sector Investment

Information Technology Sector Physical Investment Has Boomed Over the Last Year

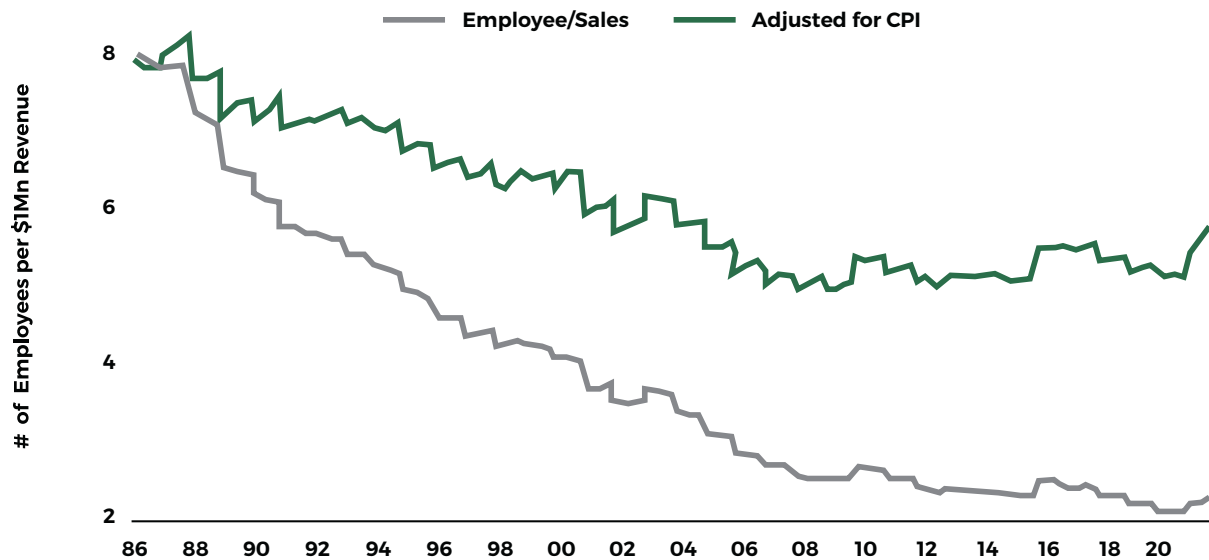


## S&P 500 Companies' Real Revenue per Worker (\$M 1986 Dollar)



Source: BofA US Equity & Quant Strategy, FactSet, Bloomberg

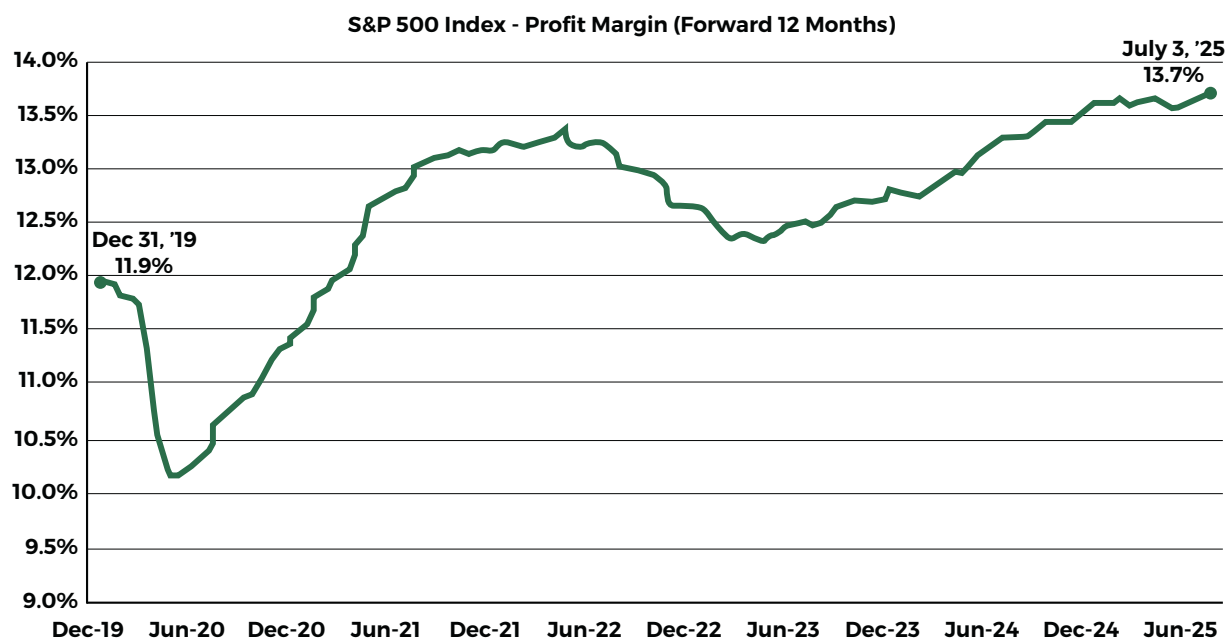
## S&P 500 Total # of Employees to Total Revenues Ratio



Source: BofA US Equity & Quant Strategy, FactSet, Bloomberg

BofA GLOBAL RESEARCH

## Margins Expanding Again



- **Potential Interest Rate Reductions**

There is a growing consensus that central banks, including the Federal Reserve, may begin reducing interest rates in the near term. Lower rates generally reduce borrowing costs, support business investment, and enhance consumer spending—all of which tend to be supportive of stock valuations.

- **Weaker U.S. Dollar**

The recent decline in the value of the U.S. dollar enhances the profitability of American companies with significant international exposure. A weaker dollar makes U.S. exports more competitive abroad and increases the value of foreign earnings when translated back into dollars.

- **Growth in Tariff-Protected Industries**

Certain sectors are poised to benefit from newly imposed tariffs, which are designed to protect domestic industries from foreign competition. These protections may create growth opportunities for companies operating in strategically shielded sectors such as manufacturing, semiconductors, and critical materials.

### Key Reasons for Pessimism

- **Uncertainty in Tariff and Political Policy**

The global trade environment remains highly fluid, with tariffs and trade policies shifting rapidly. This unpredictability makes it difficult for companies to plan their operations and can contribute to market volatility. Moreover, political dynamics both in the United States and abroad continue to inject an element of instability into the economic outlook.

- **Inflationary Pressures**

Tariffs, while protecting certain industries, often lead to higher input costs and consumer prices—contributing to inflationary pressures. Rising inflation can erode purchasing power, squeeze profit margins, and compel central banks to keep interest rates higher for longer than markets anticipate.

## **The Bottom Line: The Story Line Changes But the Play Always Ends the Same Way**

### **The One Big Beautiful Bill Act (OBBBA)**

With President Donald Trump's signature on the One Big Beautiful Bill Act (OBBBA), the federal government has provided some much-desired consistency around the direction of tax policy. The sprawling bill has so many components and areas of impact that it's worth looking at how it may affect different categories of investors. Below is a summary of some of the changes and provisions of the bill.

- **All Taxpayers: Permanent Income Tax Cuts**

A chief question surrounding the bill was whether expiring income tax cuts enacted in the Tax Cuts and Jobs Act (TCJA) of 2017 would be renewed or would expire at the end of 2025. The OBBBA affirmed that current income tax brackets and rates will no longer have an expiration date. Tax changes in the bill take effect immediately and marginal income tax rates will continue to top out at 37%. The looming date when those tax rates would go away is now gone. It's permanent in the sense that it would take another act of Congress to change the law.

- **High-Net-Worth Investors: Estate Tax Clarity**

The bill also made permanent and even increased the lifetime gift and estate tax exemption, which is the amount you can give away or pass on to heirs before incurring estate and gift taxes. That exemption is already historically high and will increase from \$13.99 million for individuals this year to \$15 million in 2026 and will be indexed for inflation in future years. Maintaining those high exemptions could be especially welcome for high-net-worth investors who had been rushing to take advantage of the higher exemption. This law removes some of the immediate pressure for high-net-worth investors to move assets out of their estate.

- **"High Tax" States: Higher Cap on Deductions**

The state and local tax (SALT) deduction cap was significantly increased, from \$10,000 to \$40,000. However, it will now phase out based on income, starting for individuals or couples filing jointly with more than \$500,000 annual adjusted gross income. It will phase out completely for those making \$633,333 or more per year. Those cutoffs will increase 1% annually, but only for four years—this provision will sunset in 2029, reverting the SALT cap on deductions to \$10,000. All of these amounts will be indexed for inflation in future years.

Importantly for some taxpayers, pass-through entity SALT deductions are not affected by this law. Pass-through entities forgo certain corporate taxes and "pass through" the earnings to individuals who then pay income tax on them. After the TCJA passed in 2017, several states provided a workaround to the SALT cap by changing their tax codes and allowing deductions at the business level. Early versions of the bill would have limited the effectiveness of these tactics, but those rules didn't make it into the final version of the OBBBA.

- **Small Business Owners: Favorable Treatment of Income and Expenses**

Changes intended to boost small businesses contain another bonus for taxpayers using pass-through entities: Section 199A of the TCJA has also been made permanent. This provision allows a 20% qualified business income (QBI) deduction for certain pass-throughs, bringing their tax rates in line with what corporations are paying. The OBBBA also expands who can benefit from this rule. The law will also allow small business owners to immediately deduct 100% of the cost of some depreciable real property used as an integral part of production activity. It will also reinstate the immediate deduction of research expenses in tax years 2025 and beyond. For businesses with average annual gross receipts below \$31 million, the reinstatement is retroactive to 2022, providing a boost to smaller businesses. Qualifications for qualified small business stock (QSBS) were also expanded, creating additional planning opportunities for certain company founders and others who may hold QSBS.

- **Those Saving for Education: An Expanded Approach to 529s**

Tax-advantaged 529 accounts can now be used to cover a wider array of qualified educational expenses, including some trade credential programs. Qualified education expenses in connection with enrollment or attendance at an elementary or secondary private or religious school (kindergarten through 12th grade) have been expanded beyond just tuition, including costs for books, online education materials, and tutoring fees. Additionally, starting in 2026, the annual limit for K-12 expenses will increase to \$20,000 (up from \$10,000). Tax-advantaged treatment applies to savings used for qualified education expenses. State tax treatment varies.

### In Closing

As always, I'm here to discuss how these developments apply to your unique situation. Please don't hesitate to reach out if you'd like to review your portfolio or explore any planning opportunities arising from the OBBBA.

*"There will be recessions and there will be stock market declines. If you don't understand that's going to happen, then you're not ready and you won't do well in the markets."*

— Peter Lynch

Respectfully,



Jonathan Dash  
CEO & Chief Investment Officer

**Forward-Looking Statement Disclosure**

The discussion of our investments represents the views of the Company's portfolio manager at the time of this report and is subject to change without notice. References to individual securities are for informational purposes only and should not be construed as recommendations to purchase or sell individual securities. As portfolio managers, one of our responsibilities is to communicate with clients in an open and direct manner. Insofar as some of our opinions and comments in our letters to our partners are based on current management expectations, they are considered "forward-looking statements," which may or may not be accurate over the long term. While we believe we have a reasonable basis for our comments and we have confidence in our opinions, actual results may differ materially from those we anticipate. You can identify forward-looking statements by words such as "believe," "expect," "may," "anticipate," and other similar expressions when discussing prospects for particular portfolio holdings and/or the markets, generally. We cannot, however, assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. Further, information provided in this report should not be construed as a recommendation to purchase or sell any particular security.

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