
Opening Thoughts

After more than four decades navigating markets, one of the more persistent lessons I've learned is that price and value do not always move in tandem, at least not on any timeline that investors would prefer. Periods like the one we are currently experiencing tend to test conviction on both sides: those who believe markets have gone too far, and those who believe markets go up forever.

We have entered a phase where the dominant forces driving markets are less about traditional valuation anchors and more about momentum, liquidity, and behavioral reinforcement. That does not invalidate fundamentals but simply delays their influence. Understanding that distinction is critical.

At MacNicol & Associates Asset Management, our responsibility is not to impose what we believe markets *should* do, but to respond to what they are actually doing while ensuring we remain disciplined in how we manage risk. That is more important today than ever before.

Firm Update

We continue to make steady progress on a number of strategic initiatives, particularly in the United States.

Over the past month, we have engaged with several prospective partners and introduced our investment approach to new audiences, including a recent presentation to a group of medical professionals in Houston. We have also begun laying the groundwork for additional seminars and client-facing events in key U.S. markets where interest is rising.

In parallel, we will be participating in a number of business conferences in Miami in the coming months, where we will be showcasing our investment philosophy and expanding our network of relationships.



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Internally, we are again expanding as we are preparing to welcome a summer analyst who brings prior experience working with U.S.-based hedge funds. While early in their career, we expect this addition to support our growing research and outreach efforts as we continue to build infrastructure for long-term expansion.

Market Insights

Our view remains constructive.

Despite widespread acknowledgment that equity markets appear extended by many traditional valuation measures, the underlying drivers of this cycle have not meaningfully deteriorated. Earnings expectations continue to trend higher, economic data remains supportive, and market participants have consistently demonstrated a willingness to absorb uncertainty.

Recent geopolitical developments, including tensions surrounding Iran, have once again reinforced a familiar pattern: markets initially react, and then recover as capital continues to seek exposure. The “buy-the-dip” dynamic remains intact, even at current valuations.

We have described this environment as a potential “melt-up”—a phase where markets advance not because they are undervalued, but because positioning, liquidity, and psychology continue to push prices higher. Importantly, these phases can persist longer than many expect, which is why timing the market is often a fool’s errand. This phenomenon will likely extend beyond equities as commodities, including precious metals, continue to participate in this trend, and we believe there remains room for further upside in select areas.

We are, at our core, fundamental investors. However, experience has taught us that rigid adherence to valuation alone can be costly. Recognizing what is happening—and adapting to it—is not a departure from discipline; it is a necessary extension of it.

Our Growth and Strategy

As markets become more expensive, the range of potential outcomes widens.

While we continue to participate in the upside, we are equally focused on ensuring that portfolios are structured to withstand a reversal—whether sharp or prolonged. This is not a contradiction; it is the essence of prudent portfolio construction.

One example of this is our allocation to the Universa tail-risk strategy, which currently represents approximately 2% of portfolios public equity exposure. While modest in size, this allocation has the potential to generate significant returns in periods of market stress or volatility spikes. The objective is straightforward: maintain exposure to ongoing market strength, while embedding protection that can meaningfully offset downside risk when conditions change.

We believe this approach is particularly relevant in the current environment. Elevated valuations alone do not trigger declines, but they do increase the consequences when sentiment shifts.

At the same time, we are making a more concerted effort to communicate how and why we are positioned this way. In the coming months, we will be expanding our educational content—through video and other formats—to provide greater transparency into our thinking and to make our insights more accessible to both clients and prospective investors.

Looking Ahead

At present, there is little in the immediate macroeconomic landscape that suggests an abrupt end to this cycle.

Recession indicators remain subdued, earnings revisions are generally positive, and technical trends continue to support higher prices. Markets have repeatedly demonstrated an ability to absorb negative headlines without sustained damage.

That said, history provides a useful framework. Late-stage market cycles are often characterized by continued strength even as underlying risks build. The late 1990s offer a

relevant comparison—where markets advanced well beyond levels many considered reasonable before ultimately reversing.

We are mindful of that precedent.

Our expectation is not for an imminent downturn, but rather for a continuation of current dynamics, potentially culminating in a more extended and pronounced peak. In such environments, timing becomes increasingly difficult—and often costly for those who attempt it prematurely.

Gratitude

We remain appreciative of the trust our clients place in us, particularly during periods where market narratives can shift quickly and with conviction.

Our role is to navigate these environments with clarity, discipline, and perspective—participating where appropriate, protecting where necessary, and avoiding the extremes that often lead to poor outcomes.

As always, we thank you for your continued confidence.

- *David*

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