

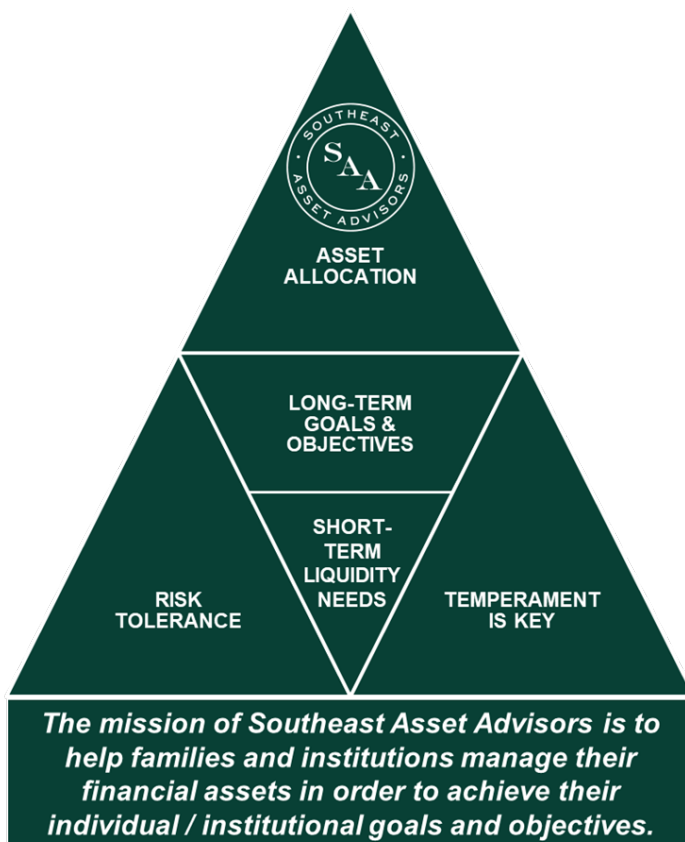


Member of
The Lanigan Group of Companies

Southeast Asset Advisors, LLC

Investment Management & Consulting
Thomasville – Atlanta – Tallahassee – Mobile – Charleston
www.assetadvisor.com

The Margin of Safety Quarterly ⁽¹⁾ *2nd Quarter 2025*



**SOUTHEAST
ASSET
ADVISORS**

WE STRIVE TO PROTECT AND GROW
OUR CLIENTS' CAPITAL OVER THE
LONG TERM BY:

- 1) Focusing on individual client goals and objectives.
- 2) Having the proper asset allocation to reflect each client's tolerance for volatility (i.e., temperament).
- 3) Stress testing short-term liquidity needs.
- 4) Investing with a value orientation and utilizing managers who understand the intrinsic value of a business and margin of safety along with passive strategies as appropriate.
- 5) Rebalancing portfolio holdings/managers when appropriate to take advantage of underpriced and to avoid overpriced assets based on the client's profile of asset allocation ranges.

⁽¹⁾ Margin of Safety (MOS): Many investing greats have said these are the most important three words in investing. We agree and call our quarterly letter accordingly. MOS is key in determining anything with variables occurring in the future, i.e., price to future value, all future outcomes, etc. Its magic is that the higher your MOS, the smaller your edge needs to be to have a favorable outcome.



TO: Clients and Friends
FROM: SAA Managing Directors
RE: 2nd Quarter 2025 Commentary
DATE: July 2025

A Volatile Start to 2025

Following a turbulent first quarter for equities, the volatility continued through the second quarter. After announcing “Liberation Day” tariffs on April 2nd, equity markets broadly declined but quickly rebounded subsequent to a pause on the implementation of the tariffs was announced on April 9th. Equities recovered throughout the quarter on optimism for future trade deals and de-escalation of the trade war with China. By the end of the second quarter, the S&P 500 was nearing all-time highs once again. For the second quarter, the S&P 500 returned ~10.9% with the Russell 2000 returning ~8.5%. Fixed Income (as measured by the Bloomberg Aggregate Bond index) returned ~1.2% for the quarter. As we’ve said in past letters, “uncertainty” remains the key theme moving forward and we expect increased volatility to continue. We now have “Liberation Day 2” on August 1.

The Deficit Remains our Long-Term Concern!

The deficit remains foremost fiscal worry. We may not always agree with Elon Musk, but we believe he is right to be concerned about our ever-increasing deficit. However, not passing the tax bill may have caused even more issues. Time will tell.

The key question remains:

Can economic growth solve the deficit? It is clear both sides of the aisle are still equally ineffective in balancing the budget or closing the deficit gap. We wonder how long this federal deficit can continue to grow without affecting interest rates and the status of the US dollar as the global reserve currency (and of course, inflation in the long run).





I am reminded by a quote from our calendar that I have posted on my mirror by William James, “*The sovereign cure for worry is prayer!*”

Trump Tariffs: Carrot, Stick, Showmanship or Negotiation?

TTT is not over even though the financial markets’ calm suggests expectations of more TACO (Trump Always Chickens Out) moments. Trump is doubling down on tariffs with abandon despite all that is at stake economically and politically ahead of the midterms.

Only one man truly knows why President Trump is handing out tariffs like Oprah hands out gifts. The rest of us are left to speculate. Why would he do this?

Here are six plausible motives behind Trump’s tariff blitz.

- 1) To generate revenues. Tariffs are raising serious cash. From January 1 through July 10, tariffs have funneled \$99.6 billion into the US Treasury, up 111% from a year ago, according to Politico’s *tracker*.
- 2) To encourage domestic reindustrialization. Trump’s “America First” policies prioritize rebuilding domestic industry. Trump’s message: If you want to sell it in the US, then build it in the US. Tariffs are designed to protect the domestic manufacturing base.
- 3) To lower US trade deficits. Trump repeatedly has championed the idea of “free, fair, reciprocal trade,” aiming to level the playing field in global trade.
- 4) To weaken the dollar. Another theory: Tariffs are a tool to push the dollar’s value down. The dollar already has slid roughly 10% during the first half of 2025; its worst start to a year in decades—even as US interest rates remain elevated. The markets may be pricing in trade policy risks and geopolitical shifts rather than just monetary policy fundamentals.





- 5) To address national security. Tariffs aren't just economic; they're strategic. Trump wants the Western Hemisphere to function as a secure energy bloc, relying on Canadian oil and Mexican cooperation.
- 6) To flex America's power. Finally, some see tariffs as a pure show of force. Access to US consumers is a privilege, not a right. Whether deterring China, pressuring allies, or signaling dominance, the message is clear: America sets the rules—and plays to win.

Detractors call tariffs a “stealth tax” on consumers, i.e., it raises revenue for the government like a tax and comes out of consumers’ pockets like a tax, but it does not require raising tax rates. Some defend trade deficits as a magnet for foreign capital-fueling US growth, not undermining it. And critics warn that a weaker dollar might not boost competitiveness but instead dent the dollar’s reputation as the world’s anchor currency.

Trump tariffs have created lots of confusion among global leaders and investors. We believe that Trump’s tariffs are tools that serve multiple purposes.

For sure Trump is amazing as a negotiator and his energy level is unreal, both get an A+. Time will tell if he is successful.

Berkshire Hathaway Update

At the Annual meeting on May 2, 2025, Warren Buffett announced that he would step down as CEO of Berkshire Hathaway. According to one manager’s calculation, over his 60-year tenure, Berkshire generated an astounding ~5 million% return through the end of 2024. Mr. Buffett’s legacy goes beyond being simply the best investor of our time. It is one defined by sound judgement, patience, wisdom, and steadfast integrity. We are sorry to see him step down, but we are comforted by the fact that he will still be around to guide Greg Abel - his named successor - and the broader Berkshire team. Greg has been with Berkshire for over 25 years and has worked closely with WEB as vice chairman since 2018. We believe that the team at Berkshire is exceptionally talented as they have all been there for many years, but we all know – there is only one true ‘OG’ Warren Buffett.





As we write, Berkshire stock is up ~7% for the year but down ~10% from its high in early May. Berkshire is trading at a premium to its historic price to book multiple, one reason we believe that WEB did not repurchase shares in the last couple of quarters, despite holding over \$300 billion of excess cash. We have continued to hold Berkshire in most accounts and view it as an “enhanced index” due to the widely diversified basket of businesses it holds in addition to a substantial cash and investment balance. While it is not cheap, we do believe it is reasonably valued and most of our accounts have owned it for many years and have huge unrealized capital gains. We will continue to closely monitor our Berkshire position and the capital allocation decisions moving forward under the new team.

In Closing

Our hearts and prayers go out to the recent victims and families of the flash flood in Texas. SAA plans to make a contribution in honor of our SAA clients.

Thank you for your trust and confidence. We strive to make "deserved trust" the most valuable asset we can earn.

Please call us if your goals or objectives have changed. Enjoy the rest of your Summer. We are so lucky to be in the USA!

Your SAA Team

Time kills deals!

- Unknown

*For reasons I have never understood, people like to hear
that the world is going to hell.*

- D. McCloskey





The purpose of life is to discover your gift; the work of life is to develop it; and the meaning of life is to give your gift away.

- D. Viscott

Technology is a useful servant but a dangerous master.

- Christian Lange

If there's literally one thing, one trait that you want that's going to allow you to accumulate wealth, it's the lack of FOMO, particularly in modern markets that can get so crazy with social media and Reddit and Twitter and everything.

- Morgan Housel

A single conversation across the table with a wise man is better than ten years mere study of books.

- Henry Wadsworth Longfellow

