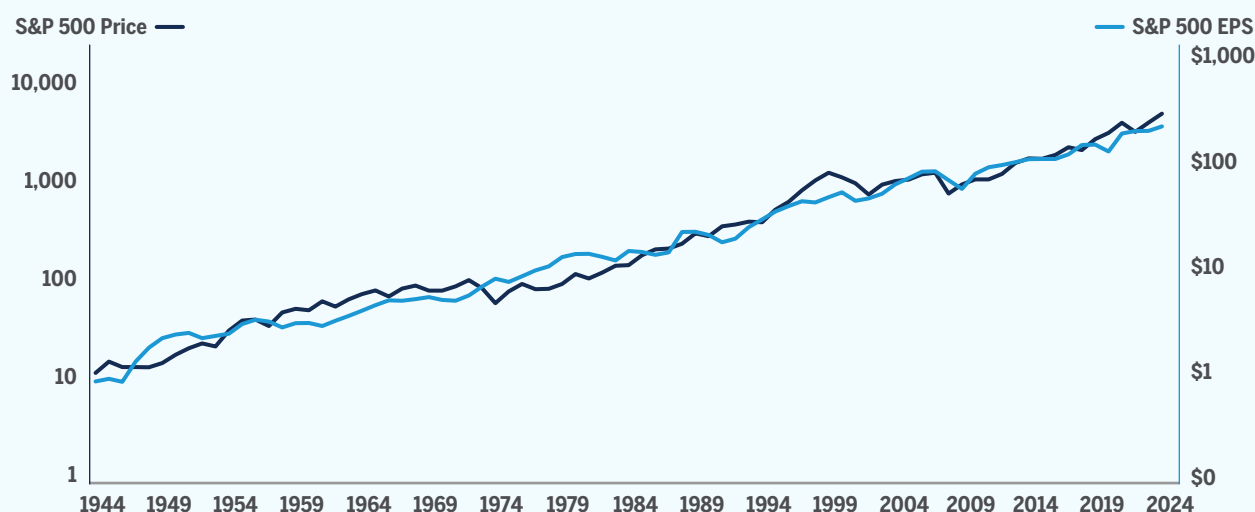


The Weighing Machine

Although Warren Buffett will be stepping away from his role as CEO at the end of 2025, his insights remain timeless. He often cited Ben Graham's observation: "In the short run, the market is a voting machine, but in the long run, it is a weighing machine." In other words, while market sentiment can sway short-term prices, long-term intrinsic value is grounded in fundamentals—sales, earnings, and cash flow. In today's volatile news cycle, investors may find reassurance in shifting their focus toward the enduring "weight" of their portfolios rather than the fleeting "votes" of the market.

Stock Prices Track Earnings in the Long-Term



Source: FactSet, Robert Shiller, and Standard & Poor's. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results.**

- Over the past 80 years, the S&P 500 has appreciated by an average of 7.9% annually, largely driven by a 7.2% compound annual growth rate in earnings per share (EPS).¹ Simply put, long-term market performance has been fueled by earnings growth, accounting for 91% of the S&P 500's price return.
- Since World War II, S&P 500 EPS has increased in every 10-year rolling period—a trend that has historically translated into equities outperforming U.S. Intermediate Government Bonds 83% of the time over 10 years and 100% of the time over 20 years.²
- In today's rapidly evolving economic landscape, we believe investors should remain focused on constructing portfolios of innovative growth companies that have the potential to compound earnings faster than the broader market, and consequently "weigh" more over the long run.

¹ FactSet and Standard & Poor's.

² FactSet. Data is for 1950-2024 based on annual rolling periods using total returns. Equity returns based on S&P 500 Index and bond returns based on Ibbotson U.S. Intermediate (5-Year) Government Bonds.

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The Ibbotson U.S. Intermediate (5-Year) Government Bond Index measures the performance of a single issue of outstanding US Treasury note with a maturity term of around 5.5 years. The S&P 500 Index is an index of large company stocks considered to be representative of the U.S. stock market. The S&P indexes are a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Fred Alger Management, LLC and its affiliates. Copyright 2025 S&P Dow Jones Indices LLC, a subsidiary of S&P Global Inc. and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

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Earnings per share (EPS) is the portion of a company's earnings or profit allocated to each share of common stock.

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