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Market Update – *Is the Bloom off the AI Rose?*

by David A. Jaffe, M.D.

There is a paradox in the investment world which is worth review, and may be particularly relevant today. Simply put, a great economic phenomenon may not equate to a great investment opportunity. The arrival of the Internet is an example we can view with 20-20 hindsight. While we know today that the Internet is an integral part of our lives, those who succumbed to irrational exuberance late in the expansion of the "dot-com bubble" suffered through a three-year bear market, and much money was lost.

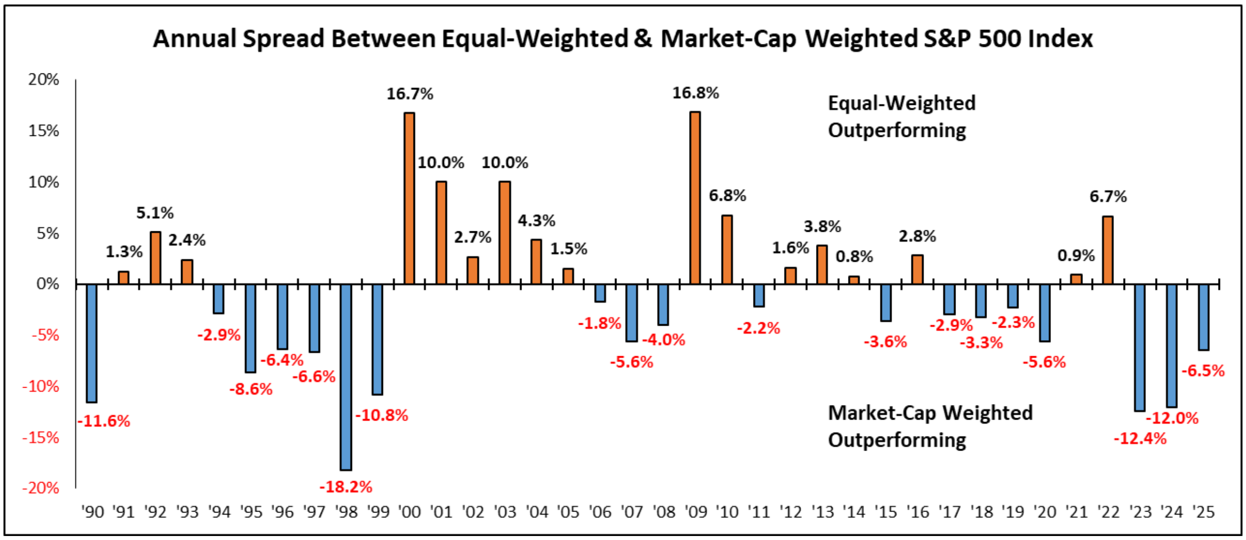
Challenging the integrity of the model, I submitted the following question to the popular AI-powered search engine Perplexity: "Are artificial intelligence companies a good investment?" I received the following remarkably candid response: "Artificial intelligence companies can be a good investment as a *theme*, but the space is already crowded, highly valued, and very volatile, so the risk of overpaying or picking losers is substantial." Couldn't have said it better myself!

Artificial intelligence is being used today for research, computer programming (coding), creation of documents, images, video, and sound, enhancing business efficiencies, guiding autonomous vehicles, summarizing documents … the list goes on and on. Similar to the arrival of the Internet, the adoption of AI and integration into our lives will likely extend far beyond our expectations. But …the harsh reality is that this is an enormously expensive and energy hungry monster, and how we will feed it is far from clear.

We have written about the financial market dominance of a handful of technology and largely AI related businesses, which have driven most of the stock market gains of the last three years. Late in 2025 we began to see worries about the assumed growth *rate* of these businesses, particularly focused on the enormous energy requirements and cost of data center development. These concerns were foretold by Nathan Polackwich in his *PASI News* article included in our Fall 2025 Newsletter, *The Numbers Don't Add Up*.

While investor enthusiasm for AI businesses was tempered late in 2025, a broad stock market advance developed with renewed interest in financial service companies, health care, cyclical businesses, and communication services. As we have discussed in previous newsletters, the commonly cited S&P 500 index is weighted by company stock market value (Market-Cap Weighted or "MW") and is currently heavily skewed by the concentration in "mega-cap" technology companies. Standard and Poor's also publishes an index calculated by giving the same 500 companies equal weighting (Equal-Weighted or "EW"), which blunts the impact of the technology sector and is more representative of the broadly diversified economy.[1]

The chart below captures the disparity between the returns of the Market-Cap Weighted (MW) S&P 500 and the Equal-Weighted (EW) S&P 500 on a year-by-year basis for the last 25 years. Blue bars below the x-axis illustrate years when the MW S&P 500 outperformed; orange bars above the x-axis reflect periods when the EW S&P 500 led.



Source: Bloomberg L.P.

There are two particularly interesting observations here. First, the MW S&P 500 surpassed the EW S&P 500 by a wide margin for 2023-2025, reflecting the dominance of mega-cap technology companies. Note also a similar finding from 1995-1999, the period of extreme enthusiasm for Internet-related companies. Further, when the dot-com bubble burst in 2000, investors fled high-priced Internet stocks in favor of more basic and broadly diversified businesses. The shift is captured by the tall green bars of the period from 2000-2005, demonstrating the superior returns of the broader EW S&P 500 relative to the MW S&P 500.

Will we see a similar trend as worries about adoption of AI grow? This shift became evident in the last quarter of 2025; whether it continues will be known only with hindsight. The PASI stock portfolio is positioned to perform well regardless, with greater diversification than the MW S&P 500, but also including significant exposure to technology companies providing the "picks and shovels" on which AI adoption depends.

By any measure, the stock market closed out 2025 with continued strong returns. The Market-Cap Weighted S&P 500 ended 2025 with a gain of 17.88%, while the Equal-Weighted S&P 500 tacked on 11.43% for the year. The PASI stock portfolio finished the year with a return of 13.18%.[2]

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[1] As an illustration, in the Equal-Weighted S&P 500 index, Apple Inc. and United Airlines both carry a 1/500 or 0.20% weighting. Because of their relative size, their impact in the Market-Cap Weighted S&P 500 index is 6.3% and 0.06%, respectively. Apple's influence on the calculated MW index is 100X that of United Airlines.

[2] Please see our disclosures on page 12.

Quarterly gains were 2.66% for the MW S&P 500, 1.39% for the EW S&P 500, and 3.40% for the PASI stock portfolio. All returns include reinvested dividends.

In the following article, Nathan Polackwich presents a well-considered and balanced discussion reviewing current economic conditions and implications for near-term stock market returns. I like his tilt – he's optimistic, and he's usually right. Still …I think I'll ask Perplexity, just to be sure!

Minsky Moment or Inflation Regime?

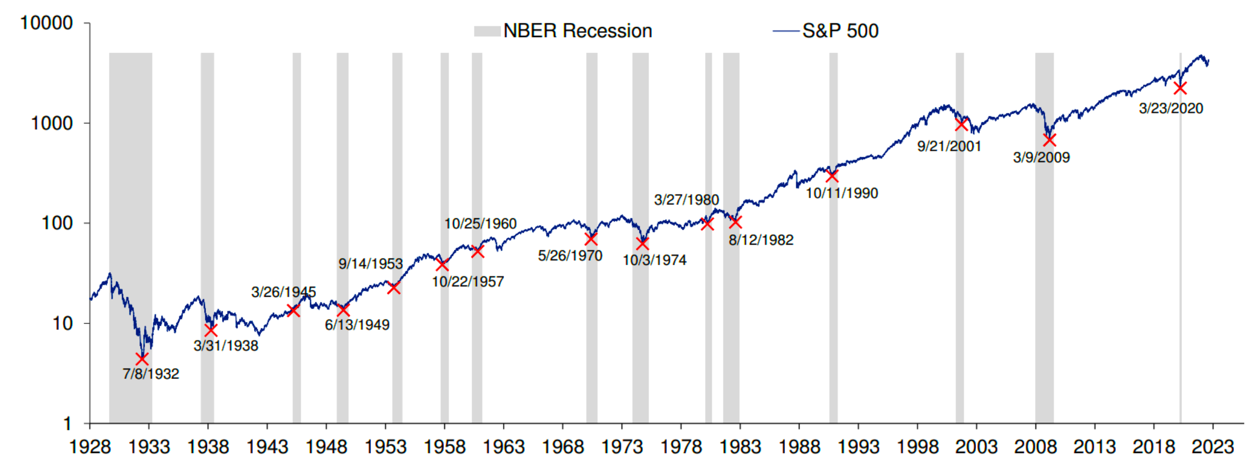
by Nathan Polackwich, CFA

It's not an easy time to get a read on the health of the U.S. economy. Due to the government shutdown (Oct. 1 – Nov. 12) critical economic publications were delayed and in some cases canceled. The October Jobs and Inflation reports, for instance, weren't released at all because the Bureau of Labor Statistics couldn't collect the data. So, we lack the Consumer Price Index (CPI) and unemployment numbers for the month of October.

While we have the November data, we believe the shutdown distorted the reports. Delayed Federal rehiring made the labor market appear weaker than it actually was and the lack of October inflation data forced statisticians to impute the missing numbers, which analysts think might have dampened November's true inflation rate (the reported number was 2.7%). The Q3 GDP report then came in much stronger than expected at 4.3%. But that positive surprise also may have been impacted by data quality related to the shutdown and wasn't supported by other measures such as wage growth or Gross Domestic Income (GDI), which measures the total income earned from economic activity and grew just 2.4% in Q3. In any event, our best guess based on recent earnings reports of major U.S. companies (including those held by the PASI stock portfolio) is that the economy is still growing at a decent pace while inflation remains modestly elevated.

What about going forward? To forecast the economy, it helps to understand the factors that most often led to recessions in the past. I'll focus on the more relevant post WWII period, as before that the U.S. economy operated under a much different monetary system (the classical gold standard, which ended during the Great Depression) and was more heavily dependent on agriculture and manufacturing whereas today's economy is more service oriented (almost 80% of GDP).

Figure 1: Daily S&P 500 Index since 1928 (in log scale), alongside recessions and bottoms (red crosses)



Source : Bloomberg Finance LP, NBER, Deutsche Bank

As can be seen above, recessions after WWII were fairly common through the early 1990s. These economic downturns mostly reflected post-war declines in government military spending (WWII and Korea) and Federal Reserve interest rate hikes to fight the threat – sometimes real but often imagined – of inflation. Of course, inflation truly did take hold in the 1970s due to an unfortunate confluence of factors.

Without going too deeply into the weeds, following WWII the international monetary order was structured under a system called Bretton Woods where foreign countries' currencies were pegged to the dollar, which their central banks could exchange for gold. In the late 1960s/early 1970s the U.S. started running large budget deficits due to the Vietnam War and expanded social welfare programs under Lyndon Johnson's Great Society agenda.

This increased spending led to the Federal Government printing lots of dollars, which flowed abroad through persistent trade deficits and ended up accumulating on foreign central banks' balance sheets. As confidence in U.S. gold backing dropped, these banks began redeeming their dollars for gold, which eventually led to the collapse of Bretton Woods in 1971, a sharp devaluation of the dollar making imports much more expensive, and the transition to today's fully fiat monetary system (no gold or commodity backing) and freely floating currencies.

Later compounding the inflationary pressure were OPEC's oil embargo in 1973/1974 and supply cuts in 1979/1980. The high inflation of the 1970s was only brought under control by Fed Chairman Paul Volcker, who doubled interest rates to 20% in 1980/1981 at the expense of two brief but sharp recessions. Fed rate hikes in the late 1980s to curb modest inflation combined with an oil price shock during the First Gulf War then led to another recession in 1990/1991.

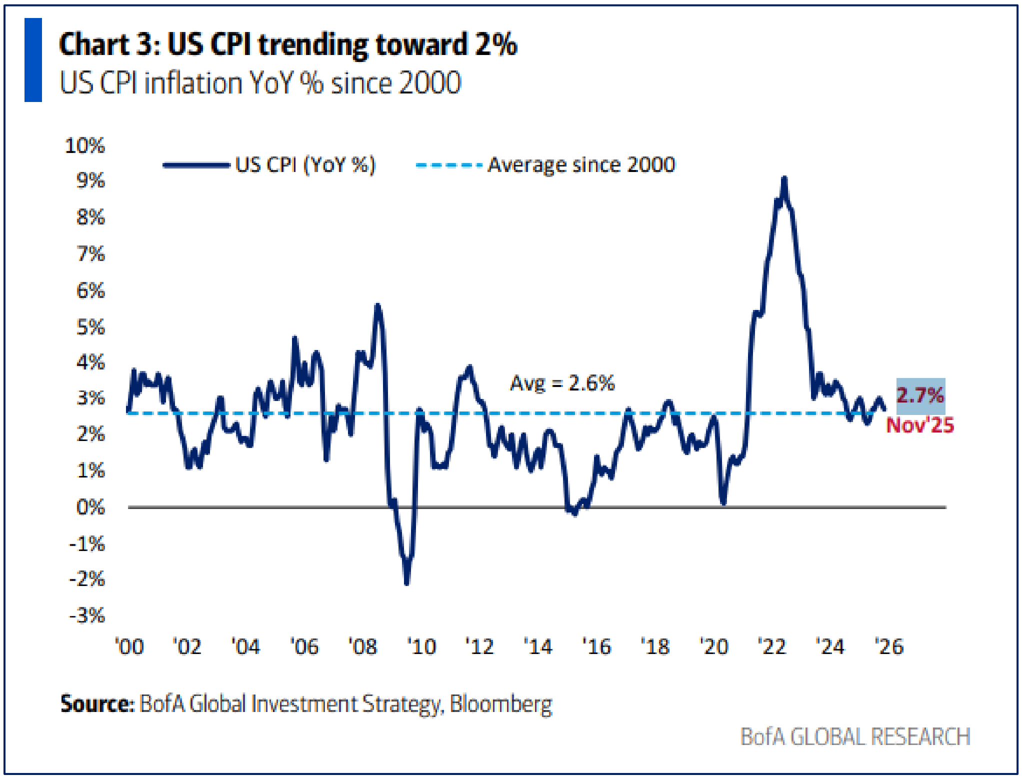
Since the 1990/1991 recession, excluding the brief government shutdown/COVID recession in 2020, the only significant U.S. economic downturns in the last 35 years were related to the bursting of two historic investment bubbles – the Internet in 2000 and housing in 2008/2009.

Significantly, the Internet and housing recessions occurred at the tail-end of long expansions. The U.S. economy had grown for ten years prior to the 2001 downturn and then another seven years before the one in 2008/2009. Periods of low inflation and steady growth are heady times for investors, but they also introduce the risk of a financial bubble. As the economist Hyman Minsky observed, "stability is destabilizing." Minsky's "financial instability hypothesis" argued that the longer good times continue, the more complacent investors and lenders become. Stocks are bought not based on their profits but simply because their price is rising. Banks lend not because borrowers have the capacity to repay but because the underlying asset (e.g. a home) is expected to keep increasing in value, protecting the lender in case of default.

Inevitably, of course, the house of cards collapses in what's been dubbed a "Minsky Moment." Lenders go insolvent, financial markets crash, and the economy takes a hit. While the bursting of both the Internet and housing bubbles were precipitated by the Fed raising rates, the real vulnerability was a buildup of speculative activity and bad debt that unraveled once asset prices began to decline.

If you've made it this far, you can see that aside from outlier events like the end of a major war or a global pandemic, the U.S. economy since WWII has really only confronted two primary risks 1) inflation runs too hot for the Fed forcing it to raise interest rates, which often causes a recession or 2) long-term economic stability leads to a financial bubble and inevitable Minsky Moment when it all comes crashing down. Are either of these two dangers to the U.S. economy currently in play?

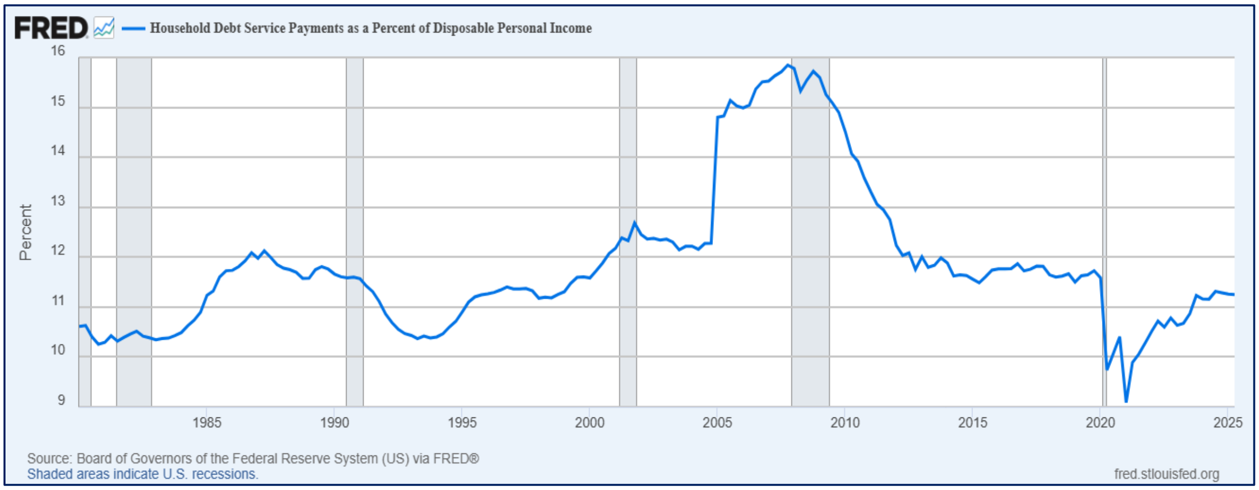
Starting with inflation, the COVID related burst in prices from supply disruptions and trillions in fiscal stimulus now seems to be mostly behind us:



Although inflation in 2025 still averaged a bit higher than the Federal Reserve's 2.0% target, an estimated 0.5 percentage points reflected the transitory impact of President Trump's tariffs, which took significant effect starting April 2, 2025 ("Liberation Day"). Due to businesses delaying the full passthrough of these costs to consumers, the impact of the tariffs on inflation is expected to peak in Q1 2026 but decline significantly thereafter. In addition, legal experts widely expect that the Supreme Court will strike down most of Trump's tariffs as unconstitutional or unauthorized, which could accelerate the decline of inflation to the Fed's 2.0% target, or potentially even below it.

Other factors arguing for easing inflation in 2026 are extremely low energy prices (oil is just $58 a barrel as I write this), a weakening housing market (rents for new tenants are now falling nationwide), and a modestly rising unemployment rate (from 3.5% in 2023 to 4.4% today), which is taking pressure off wage increases. As a result, despite headline inflation being somewhat higher than desired, the Federal Reserve has felt comfortable enough to *cut* interest rates by a cumulative 1.75 percentage points since September 2024 to a range 3.50%-3.75% and further reductions are expected this year. At the present time, then, the economy doesn't seem to be at much risk of a recession from too high inflation and consequent Fed rate hikes.

What about a Minsky Moment? U.S. household balance sheets still look strong. Debt service payments as a percentage of disposable personal income remain at historically reasonable levels and far below the heights reached during the housing bubble.



In the corporate world, some cracks are emerging in the form of rising defaults in the direct-lending segment of the so-called private credit market, where non-bank lenders have fueled a wave of leveraged loans to middle-market and private equity-backed companies. Incredibly, this segment has expanded from just $310 billion in outstanding loans in 2010 to an estimated $2.3 trillion today. If we look at the broader private credit industry which also includes infrastructure (such as AI data center financing), asset-based, and real estate debt, the entire sector has grown to more than $3 trillion in total assets, comprising one-third of all below-investment-grade (high-yield or junk) U.S. corporate debt.

Private credit is risky because it's opaque. Unlike corporate debt that trades in the public markets where prices adjust daily and financial disclosures are standardized, private loans are valued infrequently and largely based on the lender's judgment. So, investors (pension funds, insurers, wealth managers, university endowments, etc.) may not realize there's even a problem until defaults begin to spike or liquidity dries up. With limited transparency, thin secondary markets, and complex fund structures, stress in private credit is often only visible after the fact.

If inflation were rising and the Fed was hiking rates, the private credit market would be a leading candidate for a Minsky Moment with potential knock-on effects for the entire economy. As it is, easing inflation and lower interest rates should help support the financial resilience of the majority of middle-market borrowers this year and reduce the odds of severe turmoil in the sector.

In my view, the U.S. economy's biggest vulnerability today is the complacency around the assumption of profitable, perpetual growth in artificial intelligence (see my article last quarter on this topic), coupled with a rising tendency – particularly among younger generations – to treat investing as a form of gambling. This behavior spans financial markets, cryptocurrencies, sports betting, and even trading around news events.

It's well known that the closer someone lives to a casino, the more likely they are to gamble. Today, however, nearly everyone carries around what effectively amounts to a casino in their pocket at all times in the form of a smartphone. As a result, nearly half of Gen Z investors own cryptocurrency, 31% of adults aged 18 to 34 have an account with an online sportsbook, and roughly 40% of 25-year-olds now participate in the stock market (up from just 6% in 2016) often through highly speculative vehicles such as "meme" stocks, options, and leveraged exchange-traded funds (ETFs). This is the sort of risk-seeking behavior less experienced investors historically exhibit following a prolonged bull market. There is an old saying in poker: if you look around the table and you don't know who the patsy is, get up and leave. The patsy is you.

The PASI Stock Portfolio: Ownership Economics

by Jeremy Goldberg, CFA, CFP®, MSF

January is a natural time to step back from short-term market narratives and revisit what ultimately matters for long-term results. Owning a share of stock means owning a piece of a business, and over time the value of that ownership is shaped not by headlines, but by the underlying economics of the company itself. This article looks at the PASI stock portfolio through a fundamental lens. We focus on how returns are generated and how the businesses you own compare to the broader market.

At a high level, long-term stock returns can be broken into three components: **dividend yield, earnings growth,** and **changes in valuation.**

Dividends represent cash a business distributes to its shareholders. This return is commonly expressed as a percentage of the stock's price, known as the dividend yield.

Earnings represent the profit a business generates, and earnings *growth* is central to performance. It reflects multiple underlying forces at once, including revenue growth, operating margins, capital spending, interest expense, and share count changes (which impacts earnings on a *per share* basis). Importantly, stock returns tend to track earnings growth.

The third component, valuation, is the hardest to predict. It reflects how the market prices a business based on expectations for future earnings, financial strength, management track record, and perceived risk. In practice, valuation is often discussed in terms of the price-to-earnings (P/E) ratio, which measures how much investors are paying for each dollar of a company's earnings. A *forward* P/E uses expected future earnings rather than past results, which helps frame valuation in a forward-looking context. Stocks can become more or less expensive even when the underlying business has not changed, as investor sentiment shifts.

Imagine the exact same bicycle from the same manufacturer at different points in time.

If it is priced at $500 today but $1,000 next month, you would reasonably expect the higher price to reflect a better product, built with lighter materials, premium parts, or new features. When there's no actual improvement, the difference lies not in the bicycle itself, but in the price assigned to it. That higher price may instead reflect increased demand from great reviews or a surge of new buyers motivated by New Year's resolutions, rather than a fundamental change in the product. Paying twice as much for the same bicycle does not make it twice as valuable. It just makes it more expensive.

This same dynamic applies in the stock market. Prices do not always reflect the underlying value of a business, which is why all three components matter.

To put these drivers in perspective, we compare the PASI stock portfolio to both the Equal-Weighted (EW) S&P 500 index, and the traditional Market-Cap Weighted (MW) S&P 500 index. The EW index gives equivalent influence to each constituent and serves as a reference point for the average company, while the characteristics of the MW index are driven by the market's concentration in a handful of technology behemoths, based on the stock market capitalization (dollar value) of these companies. Both indices track the same 500 companies.

Portfolio	Style	Dividend Yield (Next 12 Months)	Estimated Earnings Growth 2025 through 2028	Weighed-Average Forward P/E Ratio
PASI Stock Portfolio	Deliberately Diversified	1.38%	13.20%	21.95x
Equal-Weighted (EW) S&P 500 Index	Broadly Representative	1.91%	10.09%	18.84x
Market-Cap Weighted (MW) S&P 500 Index	Mega-Cap Concentrated	1.20%	13.11%	23.10x

Source: Bloomberg L.P. as of 1/15/2026

Rather than maximizing any single metric, the PASI stock portfolio is intentionally constructed to balance income, growth, and valuation.

- **Dividend yield reflects a mix between income today and reinvestment for growth.** The portfolio's yield is lower than the EW index, consistent with businesses that reinvest more of their profits, while remaining higher than the MW index.

- **Earnings growth is a notable area of strength.** The portfolio's earnings growth rate exceeds that of both benchmarks, without relying on heavy concentration in mega-cap technology companies.

- **Valuation aligns with the overall profile.** The portfolio trades at a higher valuation (forward P/E) than the EW index, reflecting meaningfully stronger growth, yet lower than the MW index, given its broader diversification.

The key takeaway is that these elements work together. In this case, the combination of dividend yield and earnings growth helps explain why the PASI stock portfolio is positioned favorably relative to the overall market.

The next question is whether these characteristics are durable. That depends on the quality of the businesses themselves, which shows up in their ability to withstand economic stress, fund their operations with cash generated by the business, and continue allocating capital through full market cycles. To assess durability, we compare the PASI stock portfolio to the same 500 companies in the S&P 500 index using median results, which are not distorted by outliers.

A company's balance sheet shows what it owns (assets) and what it owes (liabilities), and it helps indicate how well the business can handle economic stress. Compared to the typical company in the S&P 500, the businesses held in the PASI stock portfolio generally carry less debt, hold more cash, and have a greater ability to cover interest expense.

On a median basis, PASI companies hold cash equal to approximately 8.6% of total assets, compared to 5.7% for the median S&P 500 company, giving them more cash available to fund operations and absorb short-term disruptions. Moreover, PASI companies generate operating income that covers interest expense by roughly 13.7x versus 7.7x, meaning they can meet their debt obligations with a much wider margin of safety.[3]

That financial strength underpins how excess capital is deployed. PASI holdings have used it to reduce share counts by approximately 6.2% over the past five years, compared to a 3.5% reduction for the typical S&P 500 company. A declining share count increases each shareholder's percentage ownership and supports stronger earnings per share growth.

Taken together, a strong balance sheet and disciplined capital allocation matter most when companies can reinvest retained profits at attractive rates. Return on invested capital measures how much operating profit a company generates for every dollar of capital invested in the business. Across the PASI stock portfolio, returns on invested capital are approximately 12.3%, compared to 9.7% for the typical large U.S. company. As a result, retained profits from PASI holdings earn higher returns.

Charlie Munger, longtime Vice Chairman of Berkshire Hathaway, once said, "Over the long term, it's hard for a stock to earn a much better return than the business which underlies it earns." That observation remains as relevant today as ever. It captures why our focus remains on the economics of the businesses you own.

A Heartfelt Thank You!

Updating this newsletter for Winter of 2025, one can't help but marvel at perhaps the most noteworthy feature of the publication. Return to the first page and look at the header. This is the last quarterly issue for our 49th year. With the turn of the calendar, we have entered the 50th year of Professional Advisory Services!

"PASI" was registered with the Securities and Exchange Commission as an Investment Advisor by Ronald J. Jaffe, M.D. and Kenneth Ligon II in 1977. Investing had been a long-time hobby for Jaffe, then a practicing anesthesiologist. He was managing the retirement plan for his three-person anesthesia group when Ken Ligon, an extremely successful businessman, moved to Vero Beach, FL with his young family. The two met and became fast friends, and soon business partners.

Fast forward almost fifty years. PASI now serves over 600 individuals in 30+ states (and a few international clients), providing investment management for IRAs and after-tax accounts, 401(k) and cash balance retirement plans, foundations, trusts, …with an aggregate value approximating $1.2 billion. Our founders would be astounded and proud!

Our staff credentials today include two Chartered Financial Consultants®, three CERTIFIED FINANCIAL PLANNER™ professionals, two Chartered Financial Analysts®, one Chartered Retirement Planning Counselor℠ (CRPC®), one Master of Business Administration, and two holding the Masters in Finance degree. Oh, and one M.D.

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[3] Excludes financial companies, where interest coverage is not a meaningful metric.

While our focus is on investment management, our depth of education and long history mean we can offer comprehensive planning and unbiased financial guidance to our clients.

Most importantly, we must recognize the key ingredient to our growth and success: our incredibly loyal and supportive client base. We treasure relationships now in their second and third generations and recognize that the vast majority of new clients were referred to us by friends, family, and financial professionals, a wonderful vote of confidence.

There seems no more fitting way to close the year just past but with a simple and heartfelt Thank You!!

Disclosure

Professional Advisory Services, Inc. may, from time to time, have a position in securities mentioned in this newsletter and may execute transactions that may no longer be consistent with this presentation's conclusions. Reference to investment performance of the PASI composite stock portfolio is made gross of expenses. For formal performance disclosure with net returns please contact our office.

S.E.C. Compliance

Pursuant to the Investment Act of 1940 and specifically Rule 204-3 thereunder, a registered investment adviser shall annually deliver or offer in writing to deliver upon written request to each of its advisory clients a disclosure statement prepared in compliance with the requirement of this rule. Part II of Form ADV complies with this rule and you may request a copy by calling or writing our office.

In February 2003, the SEC also adopted new rules requiring investment advisers to annually offer a copy of their Proxy Voting Policy. In January 2021 Professional Advisory Services, Inc. contracted with Broadridge Financial Solutions to vote proxies with respect to client holdings. Voting will be solely in the client's best interest with the primary goal of long-term enhancement of shareholder value. Records of each proxy vote will be retained for five years. You may request a copy of our complete Proxy Voting Policy and details of the service from Broadridge by calling or writing our office.

Under SEC Rule 204A-1, Investment Advisers are required to adopt a Code of Ethics. Professional Advisory Services employs a Code of Ethics and Business Conduct which outlines our standards of conduct in dealings with clients, staff, regulators and business associates. The Code provides guidelines to prevent the misuse of material non-public information. All officers and employees receive a copy of the Code, which they acknowledge in writing. They are educated in the meaning of all aspects of the Code through compliance meetings and are required to comply with it. Individuals are instructed to raise issues internally if they believe malpractice has occurred or is likely to occur, without fear of recrimination. Professional Advisory Services is committed to maintaining and enforcing the Code. Records relating to the Code will be retained five years beyond effective dates of use per current SEC regulations. You may request a copy of our Code of Ethics and Business Conduct by calling or writing our office.

Additionally, the SEC issued Regulation S-P on June 22, 2000. The operating premise of this ruling is to effect compliance with the Gramm-Leach-Bliley Act which prohibits the sharing of any nonpublic personal information with any nonaffiliated third party unless the firm has provided initial notice of its privacy policies. The ruling requires we provide a copy of our Privacy Policy to our customers on an annual basis. A copy of our Privacy Policy is included with this newsletter.

Performance Disclosure

To obtain a detailed analysis of Professional Advisory Services, Inc.'s (PASI) historical performance, inclusive of gross and net results from our balanced accounts and performance data for our segregated asset classes, please contact our office at 800-847-7274. It is important to note that PASI performance data presented in this newsletter is stated before the deduction of fees and in the context of each article. For a clearer understanding of the impact of fees, please refer to the following disclosures including a hypothetical example based on the maximum PASI investment management fee.

The **PASI Stock Portfolio** includes the reinvestment of dividends; and is reduced by brokerage commissions but is gross of Professional Advisory Services, Inc. fee, which is described in Part II of form ADV, available upon request. Our fee is a maximum of 1% and decreases based on assets under management. As an example of fee impact, over a ten-year period, $100,000 invested in stocks growing at 8% per year would increase at the end of ten years to $205,419 net of 1% fee versus $220,804 gross return.

PASI Stock Portfolio Benchmark: The ***S&P 500 Index (Market-Cap Weighted)*** is an unmanaged index of the 500 leading publicly traded common stocks in the U.S., including reinvestment of dividends. This index is weighted according to the market capitalization of each participating company. As a result, companies with larger market capitalizations exert greater influence on the index's overall return, reflecting their proportionate size to the overall market.

Other Indices

The ***S&P 500 Equal Weight Index (Equal-Weighted)*** is an unmanaged index of the 500 leading publicly traded common stocks in the U.S., including reinvestment of dividends. Designed to be size-neutral, it assigns equal weight to each participating company, irrespective of their market capitalization. This approach equally captures the influence of each company on the index's overall return relative to its individual performance, providing a balanced reflection of the collective market activity.

PROFESSIONAL ADVISORY SERVICES, INC.
PRIVACY POLICY FOR CLIENTS

While information is the cornerstone of our ability to provide superior service, our most important asset is our clients' trust. Keeping client information confidential and using it only as our clients would want us to are top priorities for all of us at Professional Advisory Services, Inc.

Clients will be provided with our Privacy Policy annually. Potential clients will receive a copy of our Privacy Policy.

1) We will safeguard, according to strict standards of security and confidentiality, any information our clients share with us. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. These safeguards include password protection for server and workstations, 24/7 video surveillance, encrypted data back-up, a virtual private network (VPN) for secure remote access to the PASI network by authorized PASI personnel, secure ShareFile utility for emailing sensitive documents, and monitored secure shredding for document destruction.

2) We will permit only authorized employees, who are trained in the proper handling of client information, to have access to that information. Employees who violate our Privacy Policy will be subject to company sanctions.

3) We gather nonpublic personal information about you from the following sources:
    - Information we receive from you on an application or other form
    - Information you provide us in client meetings or other forms of communication such as fax, e-mail, letter, and telephone
    - Information about your transactions with us and your designated custodian

4) We will not reveal nonpublic client information about you to anyone, except as permitted by law, or as authorized by you as the client.

5) Whenever we hire other organizations (third-party) to provide support services, we will require them to conform to our privacy standards or agreed upon privacy standards in writing.

6) We will strive to keep client files complete, up-to-date, and accurate. We will provide our clients with this account information when requested.

7) If you decide to close your account(s) or become an inactive customer, we will continue to adhere to the policies and procedures as described in this notice.

December 2024