GOOD & HOPPER
PRIVATE CLIENT GROUP
of Oppenheimer & Co. Inc.
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The first quarter of the 21st Century is over. Looking back across that period can inform our current situation and help us filter the noise that permeates the news and befogs the current investment landscape.

The purpose of this letter is not to forecast the coming year but rather to outline the risks that I am concerned about and provide us with a game plan if any of those risks materialize.

Twenty-five years ago, the risk on everyone's mind was referred to as Y2K. Widespread computer failures at the turn of the century. Alan Greenspan himself referred to it. It sounds comical with hindsight. The real villain was insanely high expectations for the internet and the over leveraged buildout of the telecom infrastructure. The best stock you could have purchased in those days was Amazon which fell from roughly 100 to 6 before rising 50x in the coming decades. Few investors can ride out such a punishing decline.

For those of us who lived through that period the memories are indelibly seared into our brains. For that reason, I think the current fear about an AI bubble is very likely premature and perhaps just wrong. We must guard against fighting the last war.

Unlike the dotcom era, there are genuine returns being generated on much of the massive capital that has been spent on AI so far. Noted Venture Capitalist Gavin Baker summed it up nicely by saying, "the dotcom crash was the result of a lot of dark fiber but there are no dark GPUs." GPUs are the Nvidia chips that power artificial intelligence.

The Bureau of Labor Statistics reported productivity grew 4.9% in the 3rd Quarter. The highest in 2 years. OpenAI is making deals in anticipation of revenue that may or may not appear, but all their competitors are the largest and most profitable companies in the world, and all are experiencing genuine revenue and productivity growth.

Of course, that does not mean that expectations are fine. They are exceedingly high but I believe it is more likely that, if expectations are to be reset, the reset will have a different character. The gating factor for AI is electric power. Providing electricity to data centers is no small task. Improving the capacity and security of the electric grid was underway before Open AI made its breakthrough. It will be measured in years. There is a risk that the tremendous demand for AI enabled solutions cannot be met because of bottlenecks in supplying energy to the data centers that produce the solutions. The largest and most profitable companies in the world are making their own electric power and the grid upgrade is underway but time is of the essence.

Economists have been on recession watch since at least '22 when the inverted yield curve caused many dire warnings which turned out to be wrong. It is currently fashionable to talk about a K shaped recovery. Some parts of the economy went down and back up while others went up and down like the bottom part of the letter K. This view is especially popular among those who worry about income inequality. I believe these fears are somewhat over blown in that the focus on inequality misses the dynamism that is apparent in the US economy. If there is upward mobility, we will have growth and prosperity.

I think we are at a potential inflection point in the real economy whereby tax cuts and deregulation are beginning to take effect. I also think there are productivity gains from the use of AI that are a spur to growth. Consumer and producer prices are moderating somewhat even though inflation remains a risk.

Michael Howell, whose Global Liquidity Index has been a good indicator of "risk on" and "risk off" activity, makes the distinction between monetary and price inflation. Our out-sized debt to GDP ratio makes monetary inflation a persistent risk even though the growth rate of the price indices is slowing. According to Howell's work the

liquidity cycle is nearing an end. This may cause 2026 to be a more difficult year if liquidity is being drained from the system.

There is an idea the US economy is moving from monetary dominance to fiscal dominance. Howell has written about this and so has Russell Napier the author of "the Solid Ground" Ever since the Great Financial Crisis the central bank has pushed liquidity into the system but prevented the banks from lending it out. At first, they needed to rebuild their balance sheets but the regulatory regime never relaxed lending standards nor permitted mergers. This monetary dominance likely contributed elevated equity valuations as money flowed into stocks and bonds instead of the real economy. If we are now moving toward a time of greater fiscal dominance then more projects in the real economy get funded and less of that money goes into liquid assets like stocks and bonds. This is a massive over-simplification of a fiendishly complex set of occurrences, nevertheless, I think it is a risk that bears monitoring.

The best performing asset of the last 25 years is the price of gold but much of that outperformance has come in the last 2 years. After the pandemic the floodgates of government spending were left open far too long. Inflation roared up but unlike past episodes the price of gold moved after consumer prices. I believe the overlooked cause of this is China. The Chinese depend on the dollar denominated world trading system for their exports. Their economy depends on exports. If the Chinese could construct a trading system backed by gold with many of their trading partners, then they could reduce their dependence on the dollar. This notion is speculative. I am not aware of any hard evidence to back the claim that Chinese buying has sparked the run up in gold but when I look at the dramatic stare steps that have taken the metal from roughly 2000 to 4000 in one year when other measures of inflation have moderated. I fear a mean reversion could easily take place.

So, the risks as I see it in '26 are the following; are expectations too high so that multiples contract even though earnings grow? Is the change over from Monetary to Fiscal dominance going result in a booming real economy that pulls money away from the financial economy? Geopolitical risks are notoriously unquantifiable but the rise of China. In the fourth year of this bull cycle, I expect some contraction in PE ratios despite good earnings. The resolution of these risks is very bullish but a volatile '26 seems likely.

As always, we will attempt to take advantage of that volatility remaining focused on wealth creation for the long run.

About Our Team

The Good & Hopper Private Client Group brings extensive expertise in Wealth Management Services together with Portfolio Management and institutional capabilities of Oppenheimer & Co. Inc. Our office is located in the Stony Point section of the City of Richmond with close proximity to Henrico, Chesterfield and surrounding counties.

Our Wealth Planning Process

Our process starts with a comprehensive understanding of our client's unique financial situation. We gather all relevant information regarding your goals, concerns, assets, and estate plans. Next, we conduct a thorough analysis into your current financial condition and then provide a detailed wealth plan of action to help you address your goals. Our plan covers areas such as strategic asset allocation, savings rates, debt repayment, retirement income, charitable giving, and wealth transfer. Once a plan of action has been agreed upon we work with you and your other professional advisors every step.

Ward Good, CFA® CIMA®

Senior Director – Investments
Portfolio Manager, OMEGA Portfolio Management

Ward has advised wealthy individuals, endowments and trusts in Virginia for the past 35 years. The cornerstone of his process consists of valuation using discounted cash flow modeling: nevertheless, he believes that models are, at best, only representations of future events. As a result, he also emphasizes judgment based on qualitative factors. Ward manages individual portfolios using a combination of quantitative and qualitative measurement techniques. He is a firm believer that the value of any asset is the discounted present value of its future cash flows. He also believes in the creative destruction process whereby individual entrepreneurs can find ways to make money regardless, sometimes at the expense of entrenched interest. Risk management also plays a vital role in the investment process.

Ward consults each client regularly and continuously seeks to properly match each client's risk tolerance with his or her goals. He monitors all portfolios in an effort to find the proper balance among asset classes and within equity portfolios. His clients' all-equity portfolios contain a mix of stocks selected across capitalization ranges and growth rates, but always with an eye toward the companies' management and their ability to sustain their growth and replace their productive assets.

Before coming to Oppenheimer, Ward served as First Vice President at Scott & Stringfellow as well as at UBS Wealth Management.

He has been active in the Richmond financial community, serving on various not for profit boards. He is currently a Board Member of the Saint Michael's Episcopal School.

A graduate of Hampden-Sydney College, Ward earned a B.A. in English literature. He holds the Chartered Financial Analyst (CFA) designation from the CFA Institute and received the Certified Investment Management Analyst (CIMA)® designation from the Investment Management Consulting Association through coursework at the Wharton School of Business, the University of Pennsylvania.

He has four children and, in his spare time, exercise and reading historical fiction.

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John Hopper

Financial Advisor

John Hopper is a Financial Advisor at Oppenheimer & Co. Inc. (Oppenheimer) in the Richmond, Virginia office. John's clients include high-net-worth individuals, families, and their closely-held businesses. With over twenty years of experience, he works closely with CPAs, estate attorneys, business brokers, and others to address each client's unique needs, and prides himself on consistently delivering exceptional service.

He provides a comprehensive approach, which begins with listening to his clients 'needs and goals, and he aligns strategies with their objectives and risk tolerance. John's holistic, goals-based method is essential to the client-advisor relationship, which he deems essential for trust and success. He strongly believes in investing with a purpose to provide practical results. Additionally, John's team approach combines collaboration, knowledge, and adaptable investment strategies.

John graduated from Hampden-Sydney College with degrees in Economics and History. He holds FINRA Series 7 and 66 registrations, and he is licensed for life and health insurance in the state of Virginia. John is also a graduate of Lead Virginia, a renowned leadership program.

Drawing on his previous career as a banker, John is passionate about his service as a Board Member for Peter Paul, a non-profit, after-school enrichment program focused on Richmond's East End families. John is a past president of his college's national alumni association and is also a certified Virginia High School League lacrosse referee. In his spare time, John enjoys golfing, snow skiing, and all things lacrosse. John grew up in the rural Tidewater area of Virginia and resides in Richmond with his wife and three children.

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The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.

MSCI World ex-US Index (World ex-US): An Index in US dollars based on the share price of companies listed on stock exchanges in 21 developed countries excluding the US. This Index is created by aggregating the 21 different country Indices, all of which are created separately. It is considered to be generally representative of overseas stocks markets.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies. The NASDAQ-100 Index is calculated under a modified capitalization-weighted methodology.

Risk Factors: Special Risks of Foreign Securities - Investments in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to,the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities.

Special Risks of Small and Mid Capitalization Companies may include being: 1) more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. 2) may not be well known to the investing public 3)may not have significant institutional ownership and 4) may have cyclical, static or moderate growth prospects. 5) often less publicly available information, making it more difficult for the Portfolio Manager to analyze the value of the company.The equity securities of small and mid capitalization companies may be subject to liquidity risk, or narrow trading consequently, the Portfolio Manager may be required to sell these securities over a longer period of time (and potentially at less favorable prices and under volatile conditions)

Special Risks of Fixed Income Securities include risk that the price of these securities will go down as interest rates rise,and credit risk, which is the risk that an issuer of a bond will not be able to make principal and interest payments on time.

Exchange Traded Funds: Exchange Traded Funds (ETFs) are baskets of securities that are traded like a stock on an exchange, and may come concentrated in various styles or sectors, subject to similar risks that the underlying securities would normally face as individual stocks. . Returns may fluctuate and are subject to volatility Foreign investments have unique and greater risks than domestic investments. All ETFs are passively managed and generally have lower management fees and operating expenses than actively managed funds. ETF returns are adjusted to reflect all actual ongoing ETF fund expenses and assume reinvestment of dividends and capital gains.

INVESTORS SHOULD CAREFULLY CONSIDER THE INVESTMENT OBJECTIVES, RISKS AND CHARGES AND EXPENSES OF A FUND OR ETF BEFORE INVESTING; THE PROSPECTUS FOR A FUND OR ETF, WHICH MAY BE OBTAINED FROM YOUR FINANCIAL ADVISOR, CONTAINS THIS AND OTHER INFORMATION. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.

High Yield Funds: Generally, investments offering potential for higher returns are accompanied by a higher degree of risk. High yield, lower-rated (junk) bonds generally have greater price swings and higher default risks.

The Omega Group is a program through Oppenheimer & Co.Inc. It offers a managed money program in which experienced Financial Advisors act as portfolio managers for their clients. Clients will pay an advisory fee on a quarterly basis and will pay no commissions or additional charges for transactions. Adopting a fee based account program may not be suitable for all investors; anticipated commission costs should be compared with anticipated annual fees. Please refer to the Oppenheimer ADV Part II for information about the advisory program described herein, including program fee schedules and other fees that may apply. The Oppenheimer ADV Part II is available from your Oppenheimer Financial Advisor. Oppenheimer & Co. Inc. and its affiliates does not provide legal or tax advice.

The success of an investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio's investments.Unexpected volatility or illiquidity could result in losses. Investing in securities is speculative and entails risk. There can be no assurance that the investment objectives will be achieved or that an investment strategy will be successful.

The Standard and Poor's (S&P) 500 Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. Individuals cannot invest directly in an index.

The Relative Strength Index (RSI), developed by J. Welles Wilder, is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between zero and 100. Traditionally the RSI is considered overbought when above 70 and oversold when below 30. Signals can be generated by looking for divergences and failure swings. RSI can also be used to identify the general trend.

This material is not a recommendation as defined in Regulation Best Interest adopted by the Securities and Exchange Commission. It is provided to you after you have received Form CRS, Regulation Best Interest disclosure and other materials.