1492 CAPITAL MANAGEMENT

DISCOVERING OPPORTUNITY

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INDENTIFY THEMES | FUNDAMENTAL ANALYSIS | TARGET VALUATION | GROWTH STRATEGY | VALUE STRATEGY | CORE ALPHA STRATEGY

1492 Vantage Point Quarterly Newsletter

Welcome to 1492 Capital Management's newsletter for the first quarter of 2025. In each quarterly newsletter, we provide our perspective on the most recent quarter, preview what lies ahead, and offer a bit of market trivia.

Our corporate slogan is "Discovering Opportunity," which is our daily focus for our clients with our small-cap and wealth management portfolios. 1492's time-tested strategies are based on a three-step process of identifying investment themes from hundreds of meetings annually with company executives, extensive tire-kicking of the business fundamentals, and a rigorous valuation methodology.

Elections Have Consequences Part 2- Volatility is One of Them

We wrote most of this newsletter before the tariffs hit the news. See our outlook section for our special report on tariffs. Last quarter, we wrote that elections have consequences, and we are now seeing their initial phase as Trump works at breakneck speed, much like a bull in a China shop, to implement his policies,. The first quarter of 2025 saw heightened volatility across global markets due to policy uncertainty and shifting trade dynamics. A few months ago, the stock market was rallying aggressively on the assumption that Trump's significant economic policies – tax cuts, tariffs, deregulation, and downsizing government – were stock market friendly. However, so far, Trump isn't winning any points with the stock market as the on-again, off-again threats of tariffs have caused volatility for corporate America. Many companies pulled forward imports to avoid the possibility of meaningful tariffs being applied to their businesses down the road, which will hurt GDP growth in the first quarter with some economists estimating a -3% impact. We've met with the C-suites of dozens of companies since Trump went into office, and many of them have no idea how the tariff situation is going to pan out. Guess what they're doing - NOTHING. The rules of the road are unknown so the safe thing to do is to sit on your hands and wait. The stock market hates uncertainty, and unfortunately, that's what we're likely to have even after April 2, which is when reciprocal tariffs go into effect…we think.

Last quarter, we discussed that interest rates going in the right direction (lower) for the right reason (inflation subsiding) were going to drive the market's direction in 2025. However, while rates have come declined 50 basis points since inauguration day, which should be bullish for stocks, they've retreated for the wrong reason. Nervous investors are pulling money from cyclical sectors and funneling these funds into bonds or bond proxies. The dollar has declined too, which is counterintuitive if tariffs are going into effect. An expected stronger dollar is typically how tariff hikes generally deter inflation. Add in DeepSeek, the AI wonder out of China, which has muddied the investment waters for tech stocks ever since it claimed on par AI performance at a fraction of the cost of other AI players like ChatGPT. This revelation led to a reversal of fortunes in the first quarter, which isn't unusual following a +20% year in 2024. The S&P 500 dropped -4.28% easily beating the Russell 2000 which fell -9.48% and was just a fraction away from falling into bear market territory (-20%) from its most recent high in late November.

The Fed continues to tap dance around rate cuts, which is hampering an already meager housing market that adds to the uncertain backdrop. Please read on to see our unique views of what's on tap for 2025, themes that we're investing in here at 1492, what we believe the key stock market drivers will be and indulge in some stock market trivia. We will provide our strategy webinars and detailed performance information on 1492's strategies in a separate email next week.

IN THIS ISSUE:

A Look Back at the Quarter - Elections Have Consequences Part 2- Volatility is One of Them

We wrote most of this newsletter before the tariffs hit the news. See our outlook section for our Special Report on Tariffs. Last quarter, we wrote that elections have consequences, and we are seeing their initial phase as Trump is working at breakneck speed, much like a bull in a China shop, to put his policies in place. The first quarter of 2025 saw heightened volatility across global markets due to policy uncertainty, shifting trade dynamics, and the Federal Reserve's evolving stance on interest rates. Recall that just a few short months ago, the stock market was rallying aggressively on the assumption that Trump's significant economic policies – tax cuts, tariffs, deregulation, and downsizing government – were stock market-friendly. However, so far, Trump isn't winning any points with the stock market, particularly as it relates to tariffs, as the on-again, off-again threats of tariffs have caused tremendous volatility for corporate America. Many companies pulled forward imports to avoid the possibility of meaningful tariffs being applied to their businesses down the road. This impact is shown in the imports chart below left. This surge is going to have a dramatically negative impact on GDP growth in the first quarter as some economists are estimating a -3% impact, which would drag overall GDP into negative territory. The chart below right shows the significant impact on the trade balance, which impacts GDP growth.

Source: PSC

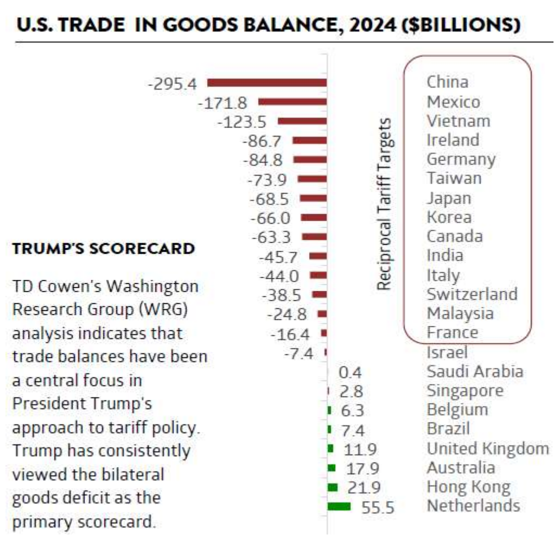
Source: PSC

We've met with the C-suites of dozens of companies since Trump went into office, and many of them have no idea how the tariff situation is going to pan out, and guess what they're doing - NOTHING. They can't make any major decision because the rules of the road are unknown, so the safe thing to do is to sit on your hands and wait. The stock market hates uncertainty, and unfortunately, that's what we're likely to have even after April 2, which is now being referred to as "Liberation Day" and is when reciprocal tariffs go into effect…we think. The currently proposed tariff regime, shown in the table below left, could drive tariffs equal to about 2.5% of U.S. GDP. The U.S. is currently targeting those countries with which the U.S. has a trade deficit, shown in red on the chart below right. Not surprisingly, China is the number one trading partner, but interestingly, Vietnam has moved into third place on the list. It was a major beneficiary of companies moving production there to avoid the imposition of tariffs on China in 2018.

	U.S. Imports from ($b)	U.S. 25% tariff ($b)	% U.S. GDP	U.S. Exports to ($b)	Retaliatory 25%	% U.S. GDP
Eurozone	546	136	-0.45%	336	84	-0.28%
Mexico	509	127	-0.42%	335	84	-0.28%
Canada ex oil	314	78	-0.26%	349	87	-0.29%
oil - 10% tariff	*99*	*10*	*-0.03%*			
China	445	111	-0.37%	144	36	-0.12%
		463	**-1.54%**		**291**	**-0.97%**

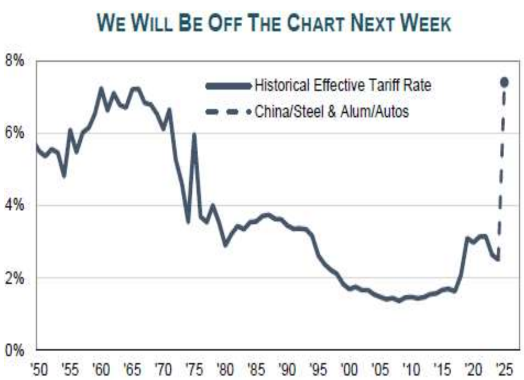
% U.S. GDP Maximal Static Impact **-2.5%**

Source: PSC

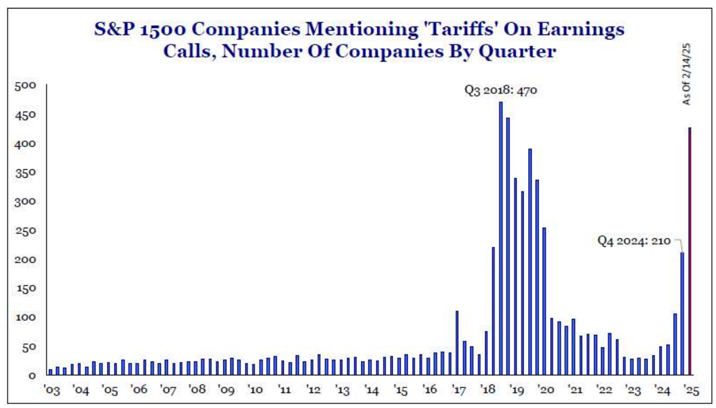


Source: TD Cowen

The resurgence of protectionist trade policies created significant market anxiety in the first quarter. Specifically, the renegotiation of trade agreements with key Asian and European partners triggered substantial market volatility. Fears of increased costs for businesses, disruptions to global supply chains, and the potential for retaliatory measures from affected countries propelled the market's reaction. The markets responded sharply to each announcement and counter-announcement, and sectors like technology and industrials experienced daily swings of 2-3%. These sectors are particularly sensitive to trade policies due to their reliance on international supply chains and export markets. The uncertainty surrounding the outcomes led to a "flight to safety" as investors favored U.S. Treasury bonds and defensive stocks (e.g., utilities, consumer staples) and sought to preserve capital rather than pursue higher-risk, higher-reward investments. A noticeable shift in investor sentiment led to a rotation out of cyclical stocks (e.g., industrials, technology, materials) and into defensive sectors (e.g., healthcare, utilities). This rotation is a typical response to economic uncertainty as investors seek companies with more stable earnings and less sensitivity to economic fluctuations. The chart below left shows the historical effective tariff rates since 1950. Note the blip in 2018 under the first Trump administration. With the broad tariff regime that Trump 2.0 is pushing, the effective tariff rate will be off the charts. The chart below right shows the number of mentions that the word "tariff" is receiving on companies' earnings calls. Observe how long the tariff conversation lasted in the first Trump administration. Given the magnitude of the proposed tariffs this time around, the impact and duration are likely to be much longer. Recall that we don't believe tariffs have to be inflationary. The offset to a 20% tariff hike could be that the respective currencies adjust (ie, the dollar strengthens relative to the opposing country's currency), and the supply chain providers eat a portion of it. Too much money chasing too few goods generally causes inflation. As long as we don't print more money as a country, the choice of the American consumer will be to use their discretionary dollars to pay up for an imported good or choose a suitable domestic good as a substitute. If they choose the imported goods, they'll simply just have fewer dollars to purchase other goods and services.

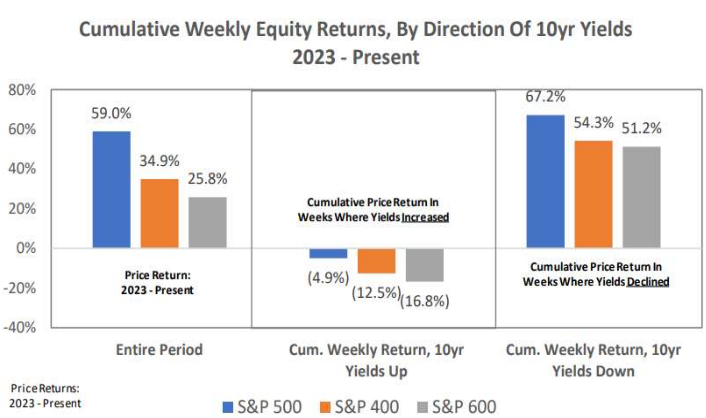


Piper Sandler. The dotted line incorporates 20% tariff on China, 25% on steel, aluminum and autos.



Source: Strategas

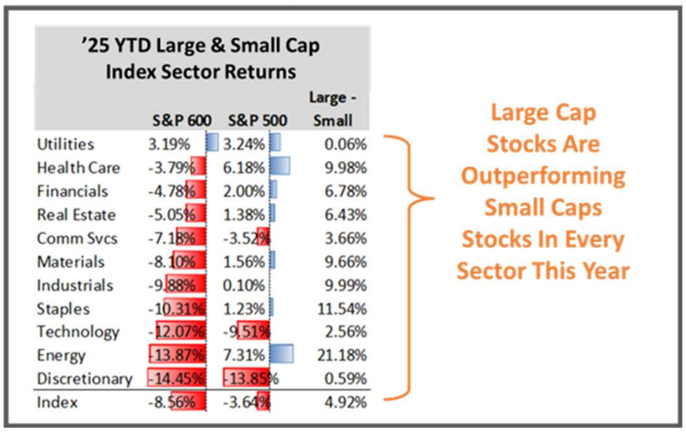
Last quarter, we discussed that interest rates going in the right direction (lower) for the right reason (inflation subsiding) would drive the stock market's direction in 2025. However, while rates have retreated 50 basis points since inauguration day, which should be bullish for stocks, they've declined for the wrong reason. Nervous investors are pulling money from cyclical sectors and funneling these funds into bonds or bond proxies. The chart below left shows how impactful interest rates can be to the stock market's direction. Note that greater than 100% of the stock market returns have been in weekly periods in which rates have dropped since 2023. The chart on the right shows the historic pattern for the stock market in the years following a 20% return in the market (2024). Therefore, it isn't unusual for the market to give a little back early in the next year, as shown below.



Source: Strategas

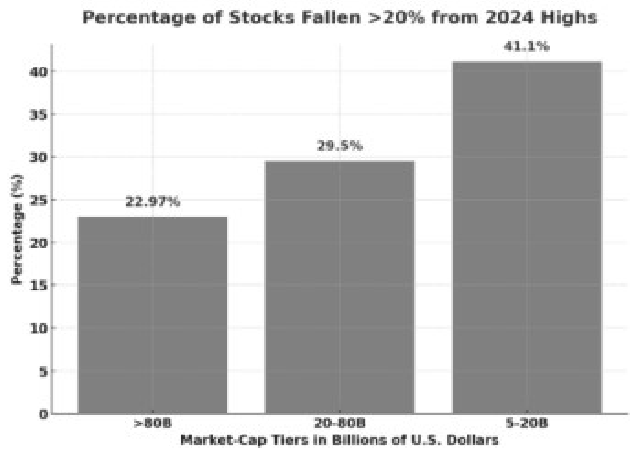
The recent downturn in the Mag 7, which is now known as the Lag 7, is likely due to foreign investors as they typically buy the largest and most liquid U.S. stocks. However, they are now pulling their money out of the U.S. and putting it back into their home markets like much of Europe and China. Their central banks are still easing monetary policy and stimulating their economy, which is leading to strong stock markets there. The dollar has declined too, which is counterintuitive if tariffs are going into effect. An expected stronger dollar is typically how tariff hikes generally deter inflation. Add in DeepSeek, the AI wonder out of China, which has muddied the investment waters for tech stocks ever since they claimed on-par performance at a fraction of the cost of other AI players like ChatGPT. This led to a reversal of fortunes in the first quarter, which isn't unusual following a +20% year in 2024, which saw the S&P 500 drop -4.28% easily beating the Russell 2000 which fell -9.48% and was just a fraction away from falling into bear market territory (-20%) from its most recent high in late November. The chart below left shows that large-cap stocks are outperforming small-cap stocks in every sector this year. The chart below right shows how significant the carnage has been under the hood of the market. The chart shows that regardless of the market cap, greater than 20% of stocks in each of the market cap buckets have fallen more than -20% in the first quarter. More than 41% of stocks in the market cap bucket between $5 and $20 billion have dropped over -20%.

Small & Large Sector Index Returns YTD


'25 YTD Large & Small Cap Index Sector Returns

	S&P 600	S&P 500	Large - Small
Utilities	3.19%	3.24%	0.06%
Health Care	-3.79%	6.18%	9.98%
Financials	-4.78%	2.00%	6.78%
Real Estate	-5.05%	1.38%	6.43%
Comm Svcs	-7.18%	-3.52%	3.66%
Materials	-8.10%	1.56%	9.66%
Industrials	-9.88%	0.10%	9.99%
Staples	-10.31%	1.23%	11.54%
Technology	-12.07%	-9.51%	2.56%
Energy	-13.87%	7.31%	21.18%
Discretionary	-14.45%	-13.85%	0.59%
Index	-8.56%	-3.64%	4.92%

Source: Strategas



Source: Strategas

The table below shows that the stock market performed poorly for the first quarter with linearly worse performance as you moved down market cap. The Magnificent 7 finally cracked as investors fled the market as tariffs and AI sentiment worsened as the quarter progressed. Small caps underperformed large caps for the quarter with the Russell 2000 Index and the S&P 500 down -9.5% and -4.3%, respectively. Falling -10.3%, the NASDAQ was the worst performer as it has the most exposure to the AI investment theme, which seemed to unravel after the DeepSeek large language model story surfaced. Much of the carnage in the quarter happened in the month of March when the market began to absorb the tariff concerns. The S&P 500 broke its streak of five straight positive months.

Index Returns

Index	First Qtr. 2025 Return	2025 YTD Return
Russell 2000	-9.48%	-9.48%
Russell 2000 Growth	-11.12%	-11.12%
Russell 2000 Value	-7.74%	-7.74%
S&P 500	-4.27%	-4.27%
Dow Jones Industrials	-1.28%	-1.28%
NASDAQ Composite	-10.26%	-10.26%

Source: 1492 Capital Management, LLC and FactSet

From a style perspective, the Russell 2000 Value Index (-7.7%) beat the Russell 2000 Growth Index (-9.5%) for the quarter. This victory reverses a trend that has favored growth for much of the last two years on the heels of strong technology performance, which is a much larger weight in the growth index. Small-cap indices fell more than the large-cap benchmarks due to the view that they are more economically sensitive and, therefore, more sensitive to the impact of the potential Trump tariffs. However, we disagree with this general thesis as the small cap index has significantly less international exposure and more financial / bank exposure, which should help buffer the potential tariff impacts. Tariff uncertainty broadly can be blamed for much of the downturn in the U.S. stock market since the end of January. However, we really don't have a great sense today of the true impact until we actually know the tariff scheme and duration. There are still those who think that the Trump tariff card is a bluff and that he's using the threat of tariffs to negotiate better trade deals with all of our major trading partners. We disagree with this thesis and discuss it more in our outlook section later in the newsletter. The best-performing sector in the Russell 2000 for the quarter and the only one that was positive was the Utility sector (+5.3%) as it's viewed as a safe haven and a bond proxy due to its defensive character and stable dividend profile. Every other sector was down in the quarter and performed worse than the comparable sector in the S&P 500. The worst performing sectors were Technology (-18.4%) and Consumer Discretionary (-14.9%). Concerns over the AI tailwind hit tech stocks broadly, and fear of recession dinged consumer discretionary names that performed well in 2024. The table immediately below highlights the performance of the Russell 2000 Index by sector for the first quarter of 2025. The second table below shows that there continues to be a significant market cap skew in the year-to-date numbers as the performance was significantly worse moving down the market cap spectrum, which continues a trend that's generally held over the past few years.

Table 5 - Russell 2000 Scorecard through March 31st

	March			Year to Date			
GICS Sector	**Absolute**	**Contribution**	**Relative**	**Absolute**	**Contribution**	**Relative**	**Wgt**
Com Serv	-7.56	-0.20	-0.75	-12.52	-0.35	-3.04	2.6
Discretionary	-9.54	-0.92	-2.73	-14.90	-1.44	-5.42	9.1
Staples	-1.50	-0.04	5.31	-0.09	-0.01	9.38	3.2
Energy	-3.12	-0.13	3.69	-12.86	-0.59	-3.38	5.1
Financials	-6.09	-1.19	0.71	-4.34	-0.88	5.14	19.8
Health Care	-7.46	-1.24	-0.66	-8.28	-1.45	1.19	16.7
Industrials	-7.54	-1.34	-0.73	-11.03	-1.94	-1.55	17.6
Info Tech	-10.33	-1.33	-3.53	-18.40	-2.48	-8.92	12.3
Materials	-4.71	-0.18	2.10	-7.04	-0.26	2.44	3.9
Real Estate	-3.80	-0.25	3.00	-3.25	-0.21	6.23	6.4
Utilities	0.74	0.03	7.55	5.28	0.13	14.76	3.2
Size Quintile	**Absolute**	**Contribution**	**Relative**	**Absolute**	**Contribution**	**Relative**	**Wgt**
1 (Largest)	-6.10	-3.54	0.70	-7.67	-4.43	1.81	58.6
2	-7.52	-1.78	-0.71	-11.83	-2.79	-2.35	23.5
3	-7.67	-0.85	-0.87	-11.18	-1.27	-1.71	11.0
4	-7.61	-0.40	-0.80	-12.18	-0.65	-2.70	5.2
5 (Smallest)	-12.19	-0.24	-5.38	-17.10	-0.35	-7.63	0.0

Source: Jefferies

Returns in the international markets were generally significantly better than those posted by the U.S. indices with particular strength out of Europe. Japan declined on continued worries about interest rates and currency strength. International markets were likely helped by the exit from the U.S. markets (primarily large cap focused) by international money managers. They have been parked in the Magnificent 7 stocks until the recent uncertainty around the Trump tariffs pushed them to look elsewhere. European markets have a valuation advantage but have been lacking organic growth for years. China's substantial stimulus programs that have rolled out over the past six months have broadly helped its markets and emerging markets in general. Germany is leading the way in Europe as they have significant exposure to China, and the U.S. tariffs on Chinese products may be pushing China to do more with Germany. Bond market returns were positive as interest rates fell, and treasury securities became a safe haven from the tariff turmoil. From a commodity perspective, natural gas continues to be the clear standout after a strong 2024. Demand continues to be robust and Trump favors exporting LNG, which should be a nice tailwind for the commodity. Gold also appreciated nicely as it rode the theme of inflation reaccelerating under President Trump due to tariffs. Volatility spiked as the quarter progressed as concern around a slowing economy built due to the uncertain impact of tariff policy.

Index	First Qtr. 2025 Return	2025 YTD Return
France	+5.8%	+5.8%

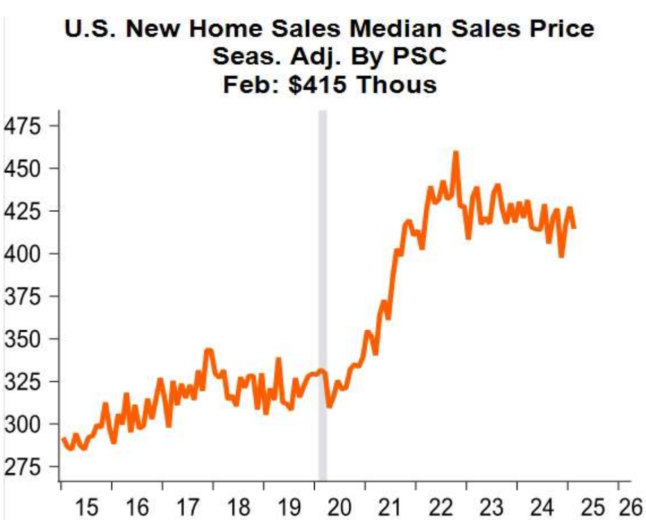
Germany	+11.3%	+11.3%
Brazil	+8.3%	+8.3%
India	-2.0%	-2.0%
China- A Shares	-0.5%	-0.5%
China- Shenzhen A Shares	+2.4%	+2.4%
Japan	-7.0%	-7.0%
Long-Term Treasuries (TLO)	+4.1%	+4.1%
Investment Grade Corp Bonds	+2.5%	+2.5%
Gold	+19.3%	+19.3%
Volatility- VIX index	+28.4%	+28.4%
Oil	-0.3%	-0.3%
Natural Gas	+33.0%	+33.0%
Lumber	+21.3%	+21.3%

Source: 1492 Capital Management, LLC

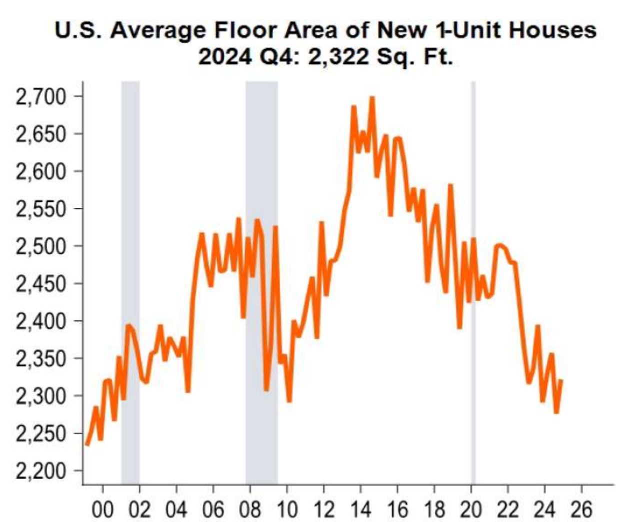
Thematic Investing: Long-term Fundamentals for Housing Continue to Look Strong - Just Deferred

The U.S. housing market in the first quarter of 2025 has been characterized by persistent affordability challenges, evolving buyer sentiment, and a notable impact on the broader economy. Housing plays a crucial role in the U.S. economy as it typically contributes 15-18% to the U.S. Gross Domestic Product (GDP). This contribution includes Residential Investment (3-5% of GDP), which encompasses the construction of new single-family and multifamily structures, residential remodeling, production of manufactured homes, and brokers' fees. The second component is Consumption Spending on Housing Services (12-13% of GDP), which includes gross rents and utilities paid by renters and owners' imputed rents and utility payments. This sector of the economy is looming ever more important as it is relatively insulated from tariffs (some cement and some lumber may be impacted) and is one of the largest single industries that impact the U.S. economy.

As of February 2025, the median home price in the U.S. stood at $415,000, as shown in the chart below left. In 2019, the median home price in the U.S. was approximately $300,000, which represents a 38.3% increase over six years and highlights the escalating affordability challenges for prospective homeowners. To afford the monthly mortgage payment on a home at this price, the average American needs to work approximately 10 days each month, and this burden is even more pronounced in states like Hawaii and California, where 17 and 15 workdays are required, respectively. The recent Los Angeles area wildfires, which destroyed 16,000 homes, and the rebuilding costs in that market that are spiking due to the sudden demand surge and shortage of labor only exacerbated the shortage and pricing in the California market. Notably, nearly 75% of U.S. households cannot afford a median-priced new home, which is approximately $459,826. Recent surveys indicate a decline in homeownership aspirations among renters. This decline is largely attributed to the lowest housing affordability in three decades. Homebuilders have been using the shrinking package size trick utilized by many food producers during the inflation spike post-COVID, where they shrink the size of the potato chip bag or put fewer chips in the bag. The corollary here is that they are shrinking the square footage of a new home to try to drive the overall cost further into the affordability zone as shown in the chart below right.



Source: PSC



Source: PSC

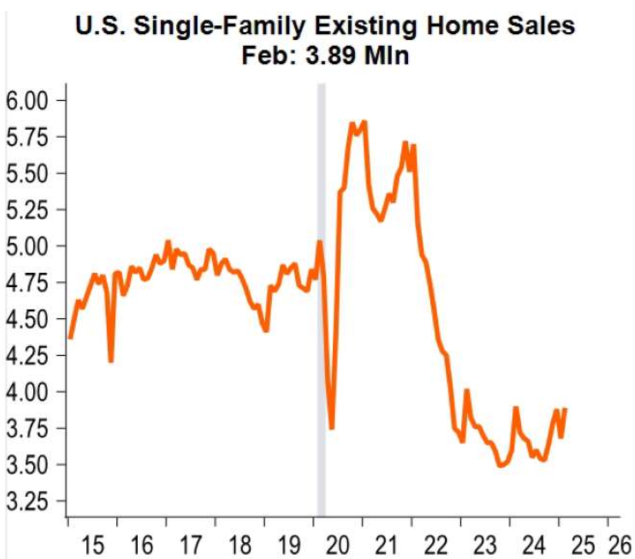
A delicate balance of factors creating a complex and somewhat unpredictable environment characterizes the U.S. housing market in early 2025. While some indicators point towards stabilization, underlying issues continue to influence affordability and activity.

Limited Supply: The supply of homes for sale remains constrained. Following the housing market crash of 2008, the U.S. experienced a prolonged period of underbuilding. New home construction lagged significantly behind historical averages, which is contributing to the current supply shortage. Recent supply chain disruptions and labor shortages have created a persistent housing deficit. The pace of new construction, particularly in high-growth areas, has been slow to catch up with demand.

Resilient Demand: The housing market experienced a surge in activity during 2020-2022 due to record-low interest rates and a shift in housing preferences from the pandemic. This boom pushed up prices and further depleted existing inventory. While somewhat tempered by higher interest rates, demand remains relatively strong. Demographic trends, which include millennials entering their prime home-buying years, continue to support underlying demand. Additionally, the shift towards remote work has fueled demand for larger homes in suburban and exurban areas.

Inventory Levels: Inventory levels remain below historical averages. The month's supply of homes for sale is still low and indicates that it would take less time than usual to sell all the homes currently on the market if no new homes were added.

Home builders are also observing increased hesitancy among potential buyers. Despite stable property traffic, firms like KB Home and Lennar report that buyers are slow to finalize deals, which reflects apprehension about the economic climate and personal financial security. To stimulate demand, builders are reducing prices and offering incentives. The market continues to grapple with a significant housing shortage due to a shortfall of 3.8 million units compared to new household formations. This deficit is particularly acute among lower-income and marginalized communities, which exacerbates affordability challenges. Addressing this crisis requires increasing home supply across various price points to balance earnings and home prices. The number of single-family homes sold has been relatively flat after spiking during COVID when everyone was purchasing a second home or moving to warm-weather states where they could work from home. Despite the number of newly formed households increasing by 1.36 million per year, the number of new home sales has remained relatively flat over the last decade. This formation pace is double the new home sales rate shown below right, and this gap is what continues to add to the shortage figure stated above.



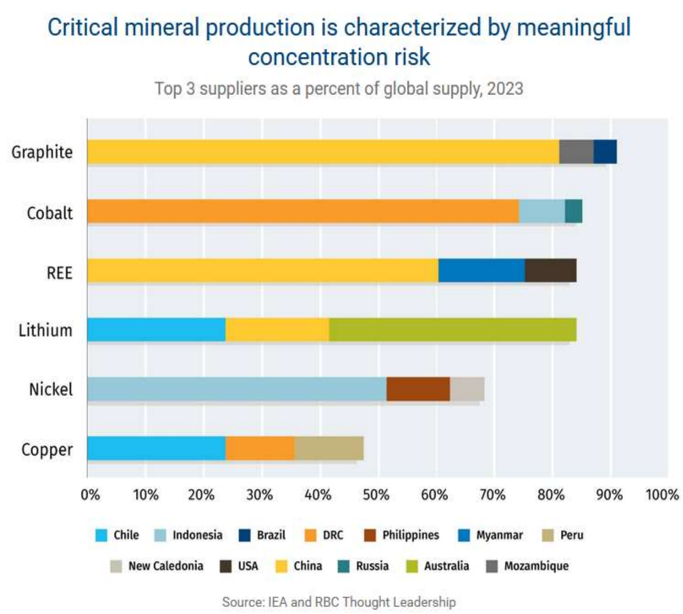
Source: PSC

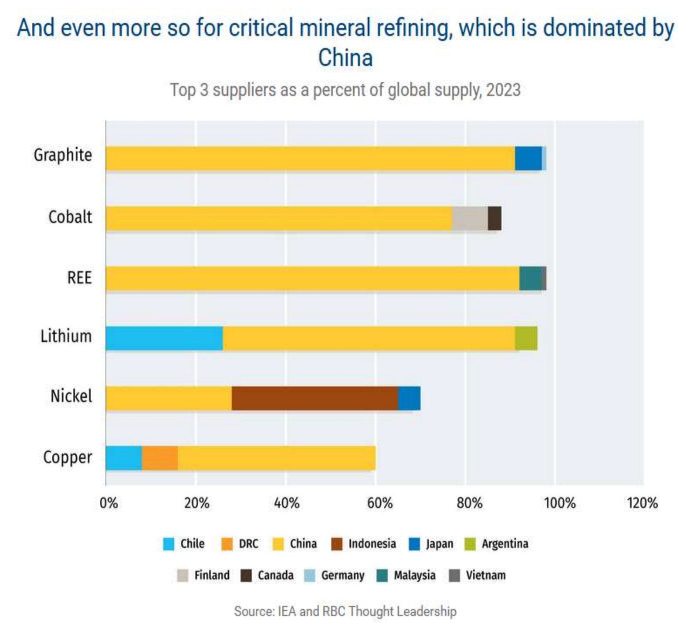
Source: PSC

The housing market's performance in 1Q 2025 underscores its significant influence on the U.S. economy. Persistent affordability challenges, shifting buyer sentiment, and inventory shortages not only affect individual homeownership decisions but also have broader economic implications. Addressing these issues is essential for fostering a more balanced and sustainable housing market. The good news is that interest rates have declined, and the current 30-year fixed rate mortgage stands at 6.72%, which has been a level that has spurred demand over the past year. We find the valuations of the homebuilder stocks to be quite attractive, and as long as rates can stay low enough long enough, these stocks could have a sustained move higher.

Thematic Investing: Specialty Metals - Aerospace & Defense as a Key Driver for Critical Minerals

Author Hunter S. Thompson is quoted as saying, “You can’t miss what you never had.” With all due respect to this fascinating author, this quote juxtaposes the vital critical minerals that are used across U.S. manufacturing industries that have to be sourced heavily from outside the U.S. and often from countries that have adversarial relations with our nation. At 1492 Capital Management, we deployed a specialty metals theme with holdings that focus on the production of these critical minerals and of the unique alloys in which they are used. The official definition from the National Research Council is that a critical mineral “is a nonfuel mineral that is essential for use and faces considerable supply chain vulnerabilities.” The two key lists for these minerals are the 2022 Critical Minerals List and the Department of Energy’s 2023 DOE Materials List. Importantly, the DOE list includes copper and silicon. According to the U.S. Geological Survey (USGS), the critical minerals list of 50 items includes 12 of which we net import 100%, and 31 others where the U.S. imports over 50%. To further elevate concern, China was the leading producer for 30 of the 50 minerals. On March 20, 2025, President Trump issued an executive order that now adds copper, potash, gold, and any other mineral/material that the Chair of the National Energy Dominance Council (NEDC) approves. It also includes invoking the Defense Production Act to accelerate development in the name of national security. The executive order also aims to enhance not just production but the processing and refining of minerals as well in the U.S. Mined materials always require a level of processing or refining to be ready for use in manufacturing, and the U.S. is disadvantaged in this arena as well. There are two smelters in the U.S. to process and refine copper, while China has 50. Speeding up the extraordinarily lengthy permitting process for new mines is a vital objective. As an example, Rio Tinto has been trying to develop the Resolution mine in Arizona for 17 years. This mine is a wonderful example of how long that the U.S. has prioritized foreign minerals with its Not In My Backyard (NIMBY) approach of ignoring domestic production. To encourage the development of U.S. copper deposits, President Trump is also now considering a 25% tariff on imported copper, as the U.S. imports just under half of its total needs. While the charts below offer a look at only six minerals/groups, the chart below left details the non-U.S. concentrated production, and the chart below right details the Chinese dominance in mineral refining.





According to Royal Bank of Canada’s research, we will remain reliant on non-U.S. supply in a variety of cases as we hold less than 1% of the world’s reserves of cobalt (Democratic Republic of Congo dominates), nickel (Indonesia), and graphite (China) and less than 2% of manganese and rare earth elements (REE). The good news is that Canada was the largest source of U.S. imports of non-fuel metals and minerals and held the number one spot for aluminum, nickel, and zinc, and number two in copper. Roughly 20% of our 50 critical minerals’ needs are sourced from our northern neighbor.

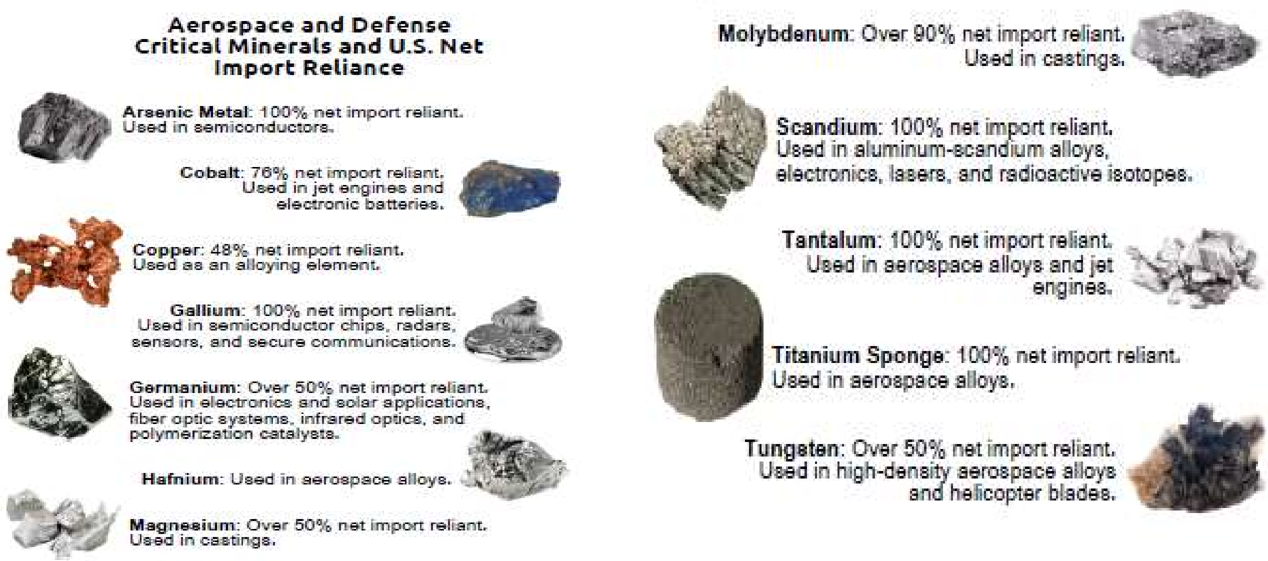
One of the key industries to drive the demand for these minerals is the aerospace and defense industry. As Boeing aircraft production ramps up along with the needs of the U.S. defense industry, there should be a strong pull for domestically or friendly-sourced and refined minerals. According to Forbes, the backlog for commercial aircraft currently sits at roughly 17,000 planes or about 14 years. As seen in the table below, the forecast calls for sustained high deliveries for the foreseeable future.

Operator Region	2025	2026	2027	2028	2029	2030	2031
Africa	34	39	44	18	13	4	3
Asia Pacific	436	534	560	665	677	590	421
Europe	343	388	468	498	466	430	362
Latin America	91	100	98	105	89	84	35
Middle East	117	152	214	230	248	198	117
North America	378	454	527	433	377	320	278
Unassigned	42	116	64	54	85	249	474
Total BA + AIR Deliveries	**1,441**	**1,783**	**1,975**	**2,003**	**1,955**	**1,875**	**1,690**

Operator Region	2025	2026	2027	2028	2029	2030	2031
Africa	2%	2%	2%	1%	1%	0%	0%
Asia Pacific	30%	30%	28%	33%	35%	31%	25%
Europe	24%	22%	24%	25%	24%	23%	21%
Latin America	6%	6%	5%	5%	5%	4%	2%
Middle East	8%	9%	11%	11%	13%	11%	7%
North America	26%	25%	27%	22%	19%	17%	16%
Unassigned	3%	7%	3%	3%	4%	13%	28%
Total BA + AIR Deliveries	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Cirium® Hosted Service, Jefferies estimates

In June of 2023, the Aerospace Industries Association (AIA) identified 12 strategic and critical minerals needed for the aerospace and defense industries, as seen in the picture below, and the U.S. imported over 50% of those needs for 10 of the 12 minerals. In addition, nickel is also a key element in the variety of specialty alloys used in aerospace and defense production. According to the Oregon Group, the U.S. produced about 10% of its nickel needs and imported roughly 46% of its total imports from Canada.



Source: Aerospace Industries Association

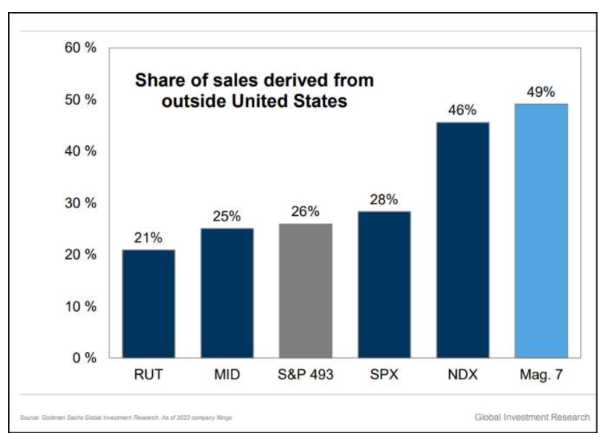
With respect to some examples of critical minerals in defense, an F-35 fighter contains roughly 1,000 pounds of rare earth metals, and a tank may require 20 critical minerals in its construction, according to the Royal Bank of Canada. Tungsten and titanium are used heavily in hypersonic vehicles and missiles. The importance of being able to develop domestic or friendly foreign sources of critical minerals and materials to maintain the health of the aerospace and defense industry is vital from both a national security and economic perspective. Per the AIA, this part of the economy comprises roughly 1.7% of GDP, is a major source of U.S. exports and trade surplus and offers wages 50% higher than the national average. Very few U.S. politicians, in our opinion, would like to swim upstream against those positives. With healthy prospects for both the U.S. aerospace and defense industries, we continue to research additional investment opportunities to deploy into our specialty metals theme that will likely benefit from both this sector demand as well as the multi-decade development of domestic or friendly foreign sources of key critical minerals and materials that are needed in their supply chain.

2025 Updated Outlook: Uncertainty Likely Stays Elevated as it's Tough to Fight a Ghost

Tariffs are on the tip of everyone's tongue these days, but until you understand the actual Trump tariff game plan and its resulting impacts on the cost of goods and supply chains, you're fighting a ghost, which is very difficult to do. In the meantime, it opens the door for speculators and market analysts to prognosticate extremely negative and wildly inaccurate outcomes. In a market environment that already has a very negative tone as we write this newsletter, pouring more gas on the bearish tariff spin is difficult to refute and is like fighting a ghost that you can't see. Trump's tariff plan is estimated to drive tariffs to between 2.5% to 3.5% of GDP or approximately $870 billion at the midpoint. Many economists are just assuming that this figure is a tax that gets added to the cost of goods so that inflation will rise by this amount, and GDP growth will dip by the same amount. If this were accurate, this would result in inflation increasing to 5.8% from the current 2.8% CPI level and pressure GDP growth to -0.6% from the latest reading of +2.4% in the fourth quarter of 2024. This deterioration would result in the textbook definition of stagflation, which is accelerating inflation with stagnating growth. It's a word that equity markets don't like.

However, we believe that the outcome will be different, particularly on the inflation side of the coin. As we discussed in prior newsletters, tariffs aren't inflationary unless deployed in a vacuum. Inflation exists or occurs when too much money chases too few goods. The latest classic case of this event occurred during COVID when everyone received government handouts (too much money), and our supply chains crumbled (too few goods). This situation isn't the case today. The government is restraining government spending, and the treasury isn't printing a ton of money and putting it into circulation. Let's say this environment leaves a hypothetical consumer with a limited discretionary income of $1,000 and is faced with a purchase decision of a good that costs $800 before the imposition of tariffs. Now, they'll need to decide to use their funds to buy an imported product that carries a 25% tariff for $1,000 or buy a comparable domestic product for $800. Regardless of their choice, this consumer still only has $1,000 to spend and no more. There shouldn't be inherent inflation. The other event that typically happens when tariffs are assessed broadly is that the currency of the country where the tariffed goods are coming from is weakened. The supply chain eats some of the tariff and endeavors to make the item cheaper or reduce its margins to retain the sale and market share. If this change doesn't occur, then the vendor of the tariffed good will lose the sale. Where this argument doesn't hold is if there aren't enough comparable alternative products to substitute for the tariffed good, and the domestic vendor chooses to use the pricing umbrella created by the tariffed product to raise his price to $990 (just below the tariffed product price of $1,000) from $800. This increase would result in inflation. However, we won't know, possibly for months or quarters, how much tariffs will impact in the real world, which leaves plenty of time for negative sentiment to fester, and uncertainty is not market friendly.

The first quarter's returns for the S&P 500 trailed the rest of the world by the largest quarterly margin in over a decade, as the chart below left shows. Does this mean that the significant money flows from international markets that have surged into the U.S. over the past seven years to buy our strong large-cap tech stocks like Nvidia, Microsoft, Google, and others, will now flow out and continue this recent trend change? It certainly could lead to sizable and sustained outflows from the U.S. market. The Trump tariffs will have a disruptive effect on the market for some time, and foreign countries may band together to counter the tariffs being assessed on U.S. imports. The good news for small-cap stocks is that the share of sales derived from outside the U.S., which could be subjected to retaliatory tariffs by other countries, is the smallest percentage at 21% and is less than half that of the Magnificent 7 or the NASDAQ Composite Index. This level could make small caps a relative safe haven compared to the largest of the large caps. Remember that the entire market cap of the Russell 2000 is less than that of some single stocks like Apple and Microsoft. It doesn't take a lot of capital flows to make a meaningful impact on the small-cap Russell 2000 Index.



The unemployment rate and the level of interest rates are the two items that we will be watching like a hawk in the coming months. As we stated earlier, lower rates so far haven't been a catalyst for better small-cap performance or stock market performance in general. We believe lower rates will drive the market higher if they are lower for the right reason, which is lower inflation and not because of fear of recession. The chart below left shows that over the past few months and right up until Trump disclosed his tariff policy, there was a clear correlation that linked lower interest rates to higher P/E ratios (valuation). This correlation would benefit small-cap stocks because they now sport the lowest 10-year trailing return relative to large caps as shown in the chart below right. Unfortunately, Trump's policies will likely put lower inflation on hold for a time as the policies work their way through the economy. Perversely, if the market gets cautious enough and flocks to treasury securities, this move could drive market rates lower, which may stimulate the housing market and keep the economy humming. This sector is primarily a domestic industry and quite impactful for the U.S. economy, as we noted earlier. The second item that we'll be watching is the unemployment rate. As long as the unemployment rate remains low and most Americans have jobs, discretionary spending will continue, and our economy will remain healthy. The most recent jobs report that was released in tandem with the new tariffs on "Liberation Day" showed the economy added 225,000 new jobs, which exceeded consensus estimates. What corporate America does in response to the new tariff regime will be the key to future reports. While the DOGE cuts of Federal government jobs have created a tremendous amount of noise in the media, the number of people losing their jobs is quite small in the whole scheme of things, and a government job generally doesn't have the same sort of multiplier effect as one in the private sector. With unemployment hovering around 4.1% and at a historically low level, we believe a marked acceleration to near 5% would need to be seen to cause concern. The ride over the next few months is likely to be bumpy as it will be difficult to fight the ghost of higher inflation, and negative sentiment will have room to run.

Over The Past 3 Months, Interest Rates Have More Strongly Explained P/Es Changes

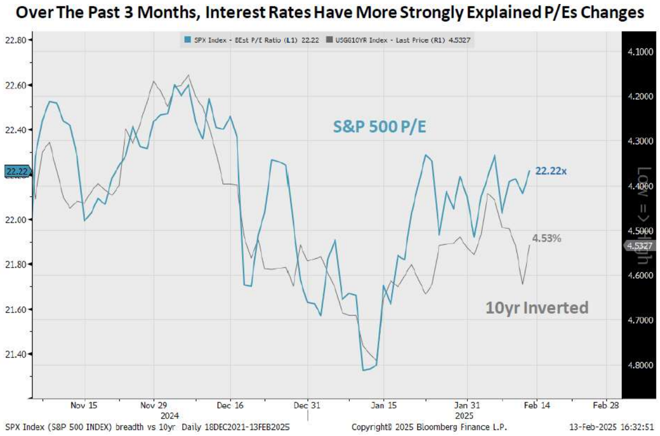
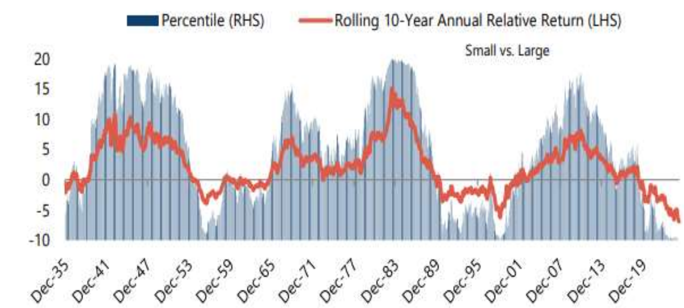


Chart 7 - The 10-year difference continued to get wider, setting another new low..



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

The following charts illustrate historical precedence following ugly periods in the stock market. As we know, the Russell 2000 fell -9.5% in the first quarter. The chart below left shows what happened in prior periods of 9% or greater declines in the Russell 2000 in a single quarter. The median return was +28.3% over the next four quarters and was positive 89% of the time. Similarly, after the losses incurred on April 3rd, the Russell 2000 entered a bear market. The chart below right shows that there generally is more pain ahead, but if you look out one year from the date that you hit a bear market correction, the median return is a positive +17%.

Fig 3. We should be higher going forward, if history is a guide

Quarters When the R2000 Declined 9%+

		Russell 2000 Return (%)		
Date	Past Qtr.	Next Qtr.	Next 2 Qtrs.	Next 4 Qtrs.
Mar-80	(12.8)	20.2	47.4	72.1
Sep-81	(17.5)	10.2	(0.1)	8.8
Mar-82	(9.3)	(1.4)	9.0	61.8
Sep-86	(12.2)	0.6	25.0	29.3
Dec-87	(29.1)	19.1	27.0	25.0
Sep-90	(24.5)	5.1	36.3	45.1
Sep-98	(20.1)	16.3	10.0	19.1
Sep-01	(20.8)	21.1	25.9	(9.3)
Sep-02	(21.4)	6.2	1.4	36.5
Mar-08	(9.9)	0.6	(0.5)	(37.5)
Dec-08	(26.1)	(15.0)	2.6	27.2
Mar-09	(15.0)	20.7	44.0	62.8
Jun-10	(9.9)	11.3	29.4	37.4
Sep-11	(21.9)	15.5	29.8	31.9
Sep-15	(11.9)	3.6	2.0	15.5
Dec-18	(20.2)	14.6	17.0	25.5
Mar-20	(30.6)	25.4	31.6	94.8
Jun-22	(17.2)	(2.2)	3.9	12.3
Mar-25	(9.5)			
Average		9.5	19.0	31.0
Median		10.7	21.0	28.3
% Positive		83%	89%	89%

Source: FRP, FactSet, as of 3/31/25

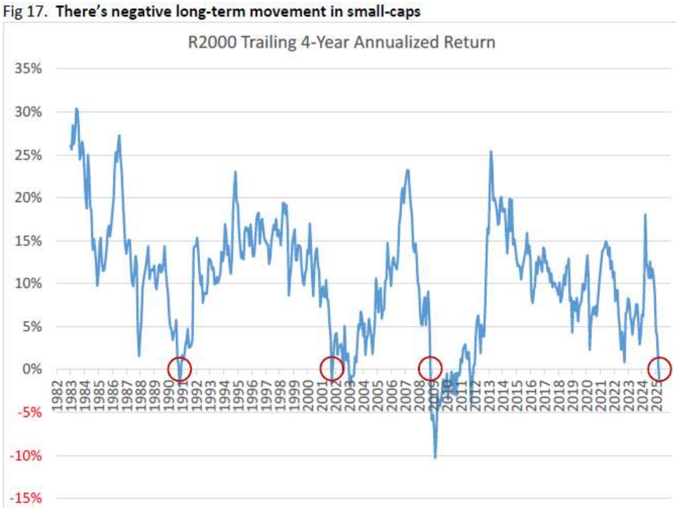
Fig 23. There may be near-term pain but the long-term outlook looks much better, if history is a guide

Start Date	Bear Mkt. Date	Trough Date	R2000 % Price Change From Bear Market Date: To Trough	1Y Fwd.
02/08/80	03/25/80	03/27/80	(6.9)	63.6
06/15/81	09/23/81	08/12/82	(10.9)	5.9
06/24/83	02/23/84	07/25/84	(7.2)	17.0
08/25/87	10/19/87	10/28/87	(20.5)	11.0
10/09/89	08/20/90	10/31/90	(17.4)	17.5
04/21/98	08/25/98	10/08/98	(20.3)	12.3
03/09/00	04/14/00	09/21/01	(16.6)	0.2
04/16/02	07/11/02	10/09/02	(21.5)	13.7
10/09/07	01/18/08	03/09/09	(49.0)	(35.6)
04/23/10	07/06/10	07/06/10	0.0	42.6
04/29/11	08/08/11	10/03/11	(6.4)	23.1
06/23/15	01/13/16	02/11/16	(5.6)	34.7
08/31/18	12/17/18	12/24/18	(8.1)	20.3
02/20/20	03/09/20	03/18/20	(24.5)	70.9
11/08/21	01/27/22	10/27/23	(15.2)	(2.4)
		Average	(15.4)	19.7
		Median	(15.2)	17.0

Source: FRP, FactSet; as of 3/31/25

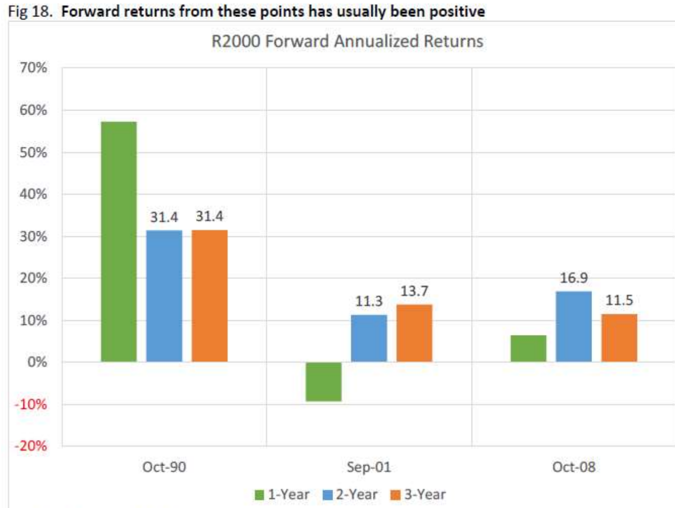
Long periods of underperformance by small-cap indices are rare. When the returns over the prior four years have been negative, which we just hit for the Russell 2000, the forward-looking returns tend to be quite positive. The chart below left shows that negative returns over a four year period are quite rare and have occurred only three other times in the last 45 years. The good news, shown in the chart below right, is that forward annualized returns tend to be quite positive with double-digit annualized returns on average for the next three years.

Fig 17. There's negative long-term movement in small-caps



Source: FRP, FactSet; Monthly periodicity, as of 3/31/25

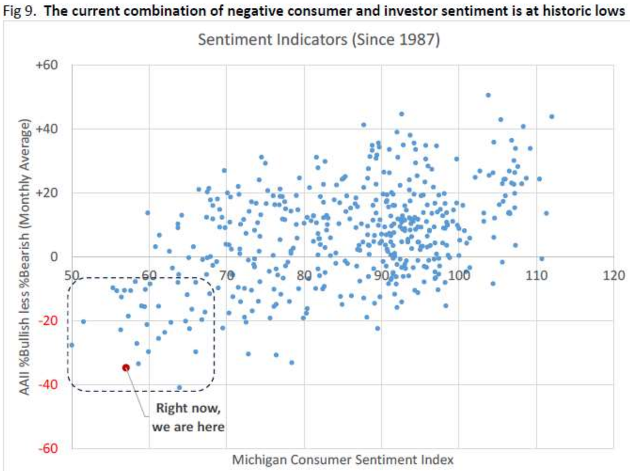
Fig 18. Forward returns from these points has usually been positive



Source: FRP, FactSet; as of 3/31/25

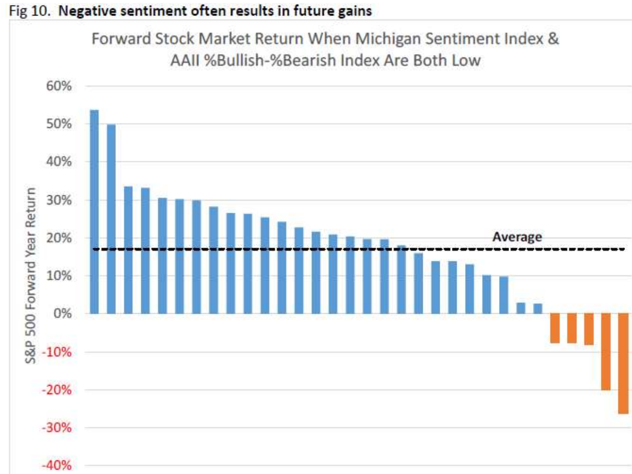
When the stock market heads south, sentiment typically accompanies it as press reports about the ugly markets become pervasive. It's usually at these times when people start to ask about pulling their money out of the market. The chart below left shows the combo-platter of the AAII Sentiment Indicator and the University of Michigan Consumer Sentiment Indicator. Note that we are in uncharted territory. Both are very negative relative to all of the monthly data points going back to 1987. Given all of the events that we've been through since 1987, it's hard to believe that current sentiment is so low, but that is a function of how polarizing every aspect of our society is today. Nevertheless, the forward returns from these periods of hyper-negativity tend to be quite good as the forward one-year return percentage averages in the high teens.

Fig 9. The current combination of negative consumer and investor sentiment is at historic lows



Source: FRP, FactSet; Monthly periodicity, as of 3/31/25

Fig 10. Negative sentiment often results in future gains



Source: FRP, FactSet; as of 3/31/25

SPECIAL REPORT ON TARIFFS

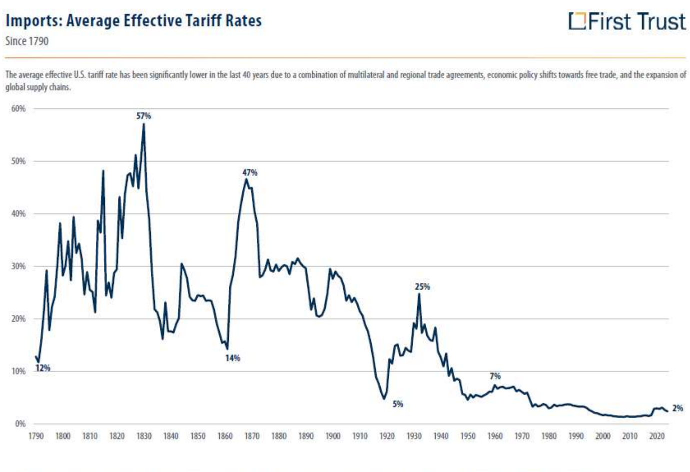
Initially, we weren't going to cover tariffs to this extent in this newsletter, but in light of the most recent news, we decided to provide as much color around the tariff topic as we can. The chart below came out after we wrote this newsletter. It shows the actual tariffs that are being imposed on each country. The dollar amount of potential tariffs is nearly $800 billion, which is very close to the amount that we speculated on above. The total tariffs are estimated to be equivalent to about 3.3% of GDP, at the high end of the range cited above as well. We have added several charts below on tariffs to add more color. Due to the recency of the release, we have yet to digest it all, but there are some clear conclusions to be made.

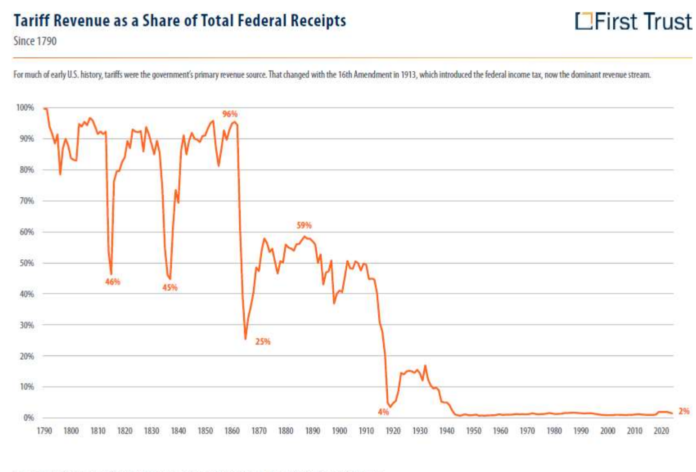
Country	U.S. Imports (12 Mo. Sum, $ Bln)	U.S. Exports (12 Mo. Sum, $ Bln)	Trade Balance	New Tariff Rate	Tariff Impact ($ Bln)	% U.S. GDP	10% Retaliation Impact ($ Bln)	% U.S. GDP
China	443	141	-302	54%	239	0.81%	14	0.05%
Mexico*	510	335	-175	15%	76	0.26%	34	0.11%
Vietnam	140	13	-127	46%	64	0.22%	1	0.00%
Ireland	110	16	-93	20%	22	0.07%	2	0.01%
Germany	162	75	-87	20%	32	0.11%	8	0.03%
Taiwan	119	43	-76	32%	38	0.13%	4	0.01%
Canada*	418	349	-69	15%	63	0.21%	35	0.12%
Japan	148	80	-69	24%	36	0.12%	8	0.03%
South Korea	131	66	-66	25%	33	0.11%	7	0.02%
Switzerland	84	24	-60	31%	26	0.09%	2	0.01%
India	89	42	-46	26%	23	0.08%	4	0.01%
Italy	76	32	-44	20%	15	0.05%	3	0.01%
Malaysia	54	28	-25	24%	13	0.04%	3	0.01%
France	60	44	-16	20%	12	0.04%	4	0.01%
Israel	22	15	-8	17%	4	0.01%	1	0.00%
Saudi Arabia	13	13	0	10%	1	0.00%	1	0.00%
Singapore	44	46	1	10%	4	0.01%	5	0.02%
Belgium	28	34	6	20%	6	0.02%	3	0.01%
Brazil	42	50	8	10%	4	0.01%	5	0.02%
United Kingdom	69	79	10	10%	7	0.02%	8	0.03%
Australia	20	35	14	10%	2	0.01%	3	0.01%
Hong Kong	9	27	18	54%	5	0.02%	3	0.01%
Netherlands	34	90	56	20%	7	0.02%	9	0.03%
Other Countries	*506*	*389*	*-117*	*10%*	*51*	*0.17%*	*39*	*0.13%*
Total	3,332	2,067	-1,264		783	2.64%	207	0.70%

*Assumes 25% tariff, but 0% on all USMCA-compliant goods.
**The above is an initial analysis based on the April 2nd announcements. Stay tuned, as these figures are subject to change.

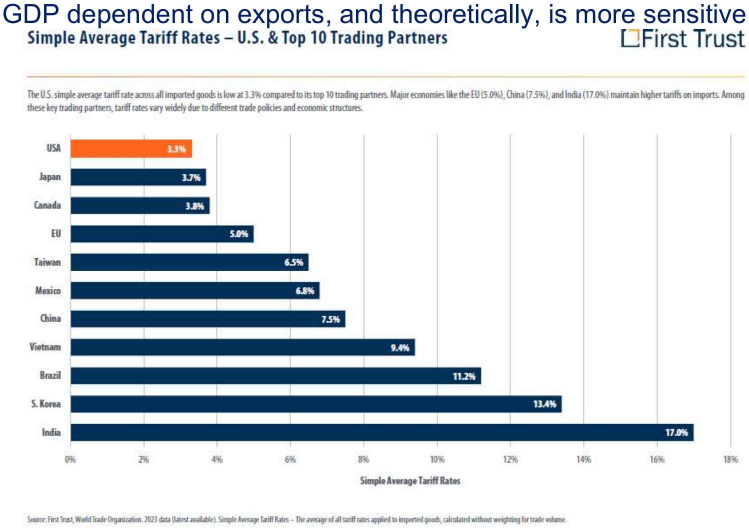
Source: PSC

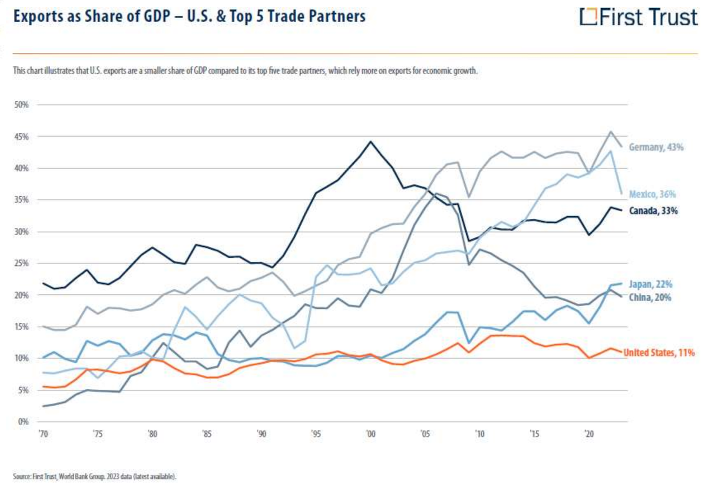
In the charts below, we'll try to provide some historical context of the tariff landscape. The Trump tariffs that are being implemented effective April 5th and April 9th raise the effective tariff rate to a level that we haven't seen since the Smoot-Hawley Tariff Act of 1930. This act was a U.S. law that was enacted that significantly increased import duties on goods and aimed to protect American businesses and farmers. However it worsened the Great Depression, prompted retaliatory tariffs from other countries, and crippled global trade. Most tariffs that exist in the world today are artifacts of historical war periods. Following wars, whether it was World War II, Vietnam, Kuwait, and many others through time, tariff regimes were set up in those countries affected to rebuild them. For example, post-World War II, many European countries and Japan instituted tariffs on imported goods to promote rebuilding in-country capability and to help to fund this rebuild. The problem with this concept is that many of these tariffs were never repealed and, in many cases, were added to over time. This event sets the stage for what Trump is trying to fight against in imposing this drastic new tariff regime. The two charts directly below show the effective tariff rates the U.S. has imposed over time. Note that the effective rate for much of the last several decades was around 2% to 3%. Trump's proposed tariffs are going to bring the implied rate to the levels of the Smoot-Hawley regime of the 1930's or nearly 25%. This level is why there is such concern. The second chart on the right is tariff revenue as a percentage of total Federal receipts, which is around 2% going all the way back to 1945.



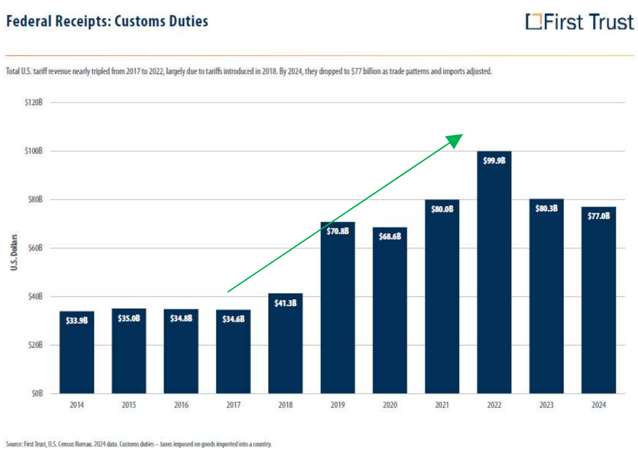


The chart below left shows the foundation of the problem. Every one of our top 10 trading partners has a tariff rate that averages significantly higher than the U.S. tariff rate, with most double, triple, or more than the U.S. rate. The chart below right is what provides Trump with ammunition to push forward with this tariff agenda. The U.S. economy is primarily a consumption economy, and exports only account for 11% of our $30 trillion economy, whereas Germany has 43% of their GDP dependent on exports, and theoretically, is more sensitive to tariff rates.



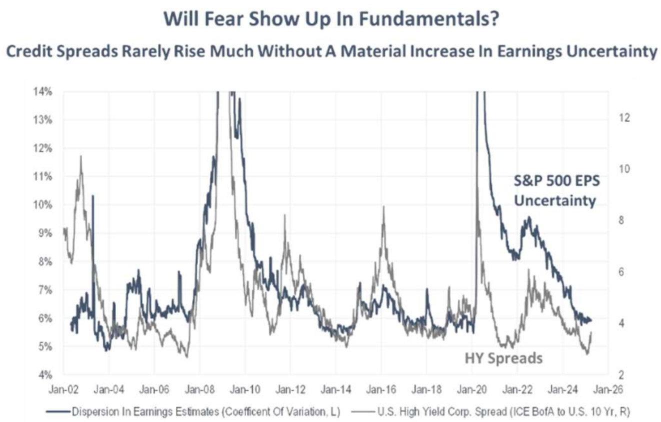


The chart below left, details what is giving Trump confidence to roll the tariff program out much more aggressively. Note the ramp in receipts that were realized following the initial Trump tariffs implemented in 2018. The interesting thing to note in this chart is the falling off of realized receipts in 2023 and 2024. This is likely due to importing countries like China diverting their imports through other countries like Vietnam and Mexico, which weren't subject to the initial 2018 tariffs. The chart on the right shows the percentage of China's GDP that is from exports to the U.S. While this number as a percentage has fallen off dramatically over the past 15 years, the absolute dollar amount is still quite substantial, as China's GDP has grown dramatically in nominal terms. I believe this percentage is misleading for the reason I articulated above- that they are likely using other trading partners like Vietnam and Mexico to pass through their export products to the U.S. ultimately. We believe that in the end, Trump is likely going to do 180 separate negotiations (one for each country on which tariffs are imposed) over time and try to reach an agreement with each country which the U.S. has a trade deficit. He will try to negotiate the tariffs being assessed on our goods being imported into those countries to 0% or some palatable level as long as we have an equal offset. The only problem is this takes time. We'll see who folds their hand first.



Source: PSC

Lastly, the chart below bears watching. The key is what high-yield spreads are doing, which are generally a gauge of financial stress in the market. Note that high-yield spreads have been at historically low levels. These rates generally spike with economic concern, as you can see looking back over the decades. This is something we will be watching closely.



Wealth Management Monitor - Focus on International Equities- Part 2

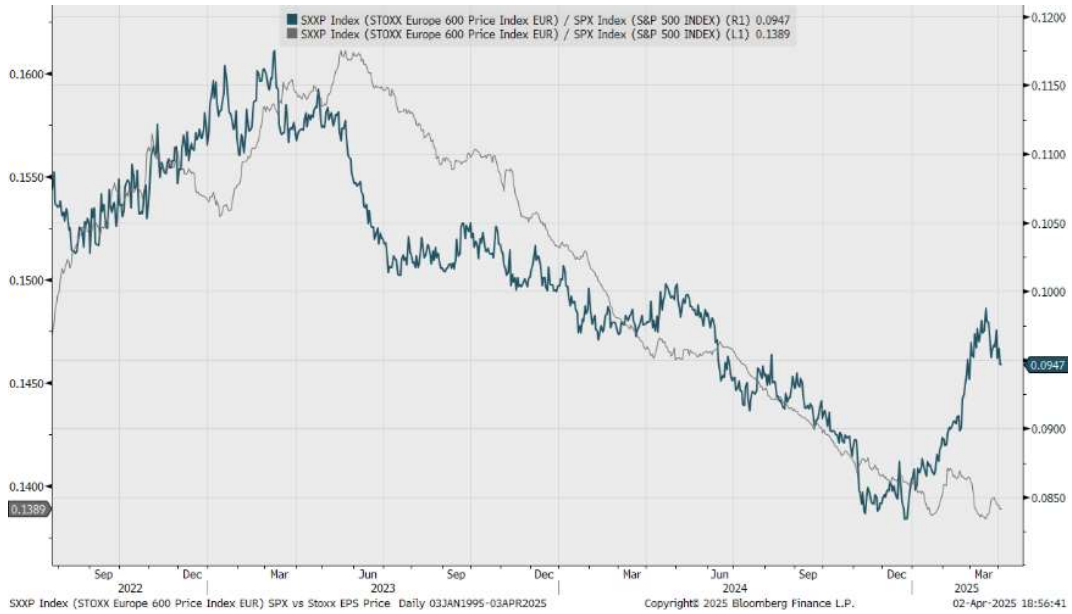
As many of you know, 1492 Capital Management also offers a series of wealth management portfolios that are managed consistently with our small-cap strategies through the use of thematic research and stock picking. These portfolios range in risk from very conservative to ultra-aggressive and several in between. Many of these portfolios include an allocation to international equities. We believe that any diversified portfolio should have some allocation to international equities commensurate with its risk appetite. The international equity allocation can be expressed in a number of ways, with allocations to a broad-based diversified international stock ETF, an emerging market ETF, or a single-country focused ETF. Picking a single winner out of all of the countries that have active stock markets is more of a roll of the dice, which we're generally not comfortable doing. If you look at the country-by-country performance in the first quarter of 2025 presented in the first section of this newsletter, you'll see what we're talking about. With a few exceptions like India, International markets have generally not kept up with U.S. stock market returns over the past 15 years, as the explosive growth in China peaked in 2010, and its economy has stalled relative to its hypergrowth rates of the 2000s. China's economy is heavily linked to other countries like Germany (due to auto and industrial expertise), Brazil (due to basic materials), and most of Southeast Asia, as these countries have become manufacturing outposts of China. As the chart below shows, the Chinese stock market is basically in the same spot as it was in 2010.

Figure 14: The Shanghai Composite index is no higher today than it was in 2007, even with huge economic and capex growth.

Source : Bloomberg Finance LP, Deutsche Bank

While U.S. markets have easily outperformed international equities for much of the past decade, the tide turned in the short run as European bourses led the way. The green line in the chart below represents the relative performance of the Europe 600 index compared with the S&P 500. Note the strong hook up from the start of the year for the European benchmark.

STOXX 600 (Europe) vs S&P 500: relative price vs relative EPS



The first quarter of 2025 showcased the importance of diversification in global portfolios, as international markets displayed mixed results amidst geopolitical tensions, inflation concerns, and shifting monetary policies. While some regions outperformed, others faced significant challenges, but overall, they outperformed the U.S. stock market.

European Markets: European equities led the way with strong gains, particularly in Germany (+11%) and the UK (+8.4%), driven by fiscal stimulus measures and improved business sentiment. Fiscal expansion across Europe, including increased defense spending in Germany, boosted investor confidence and supported equity markets. Continued fiscal stimulus and resilient economic fundamentals are expected to sustain growth in European equities.

Chinese Markets: Chinese stocks pushed modestly higher +2%, buoyed by economic recovery policies and robust consumer demand. Targeted stimulus measures and a rebound in consumer activity helped Chinese equities outperform. Analysts remain optimistic about China’s recovery momentum, with further government support likely to drive gains.

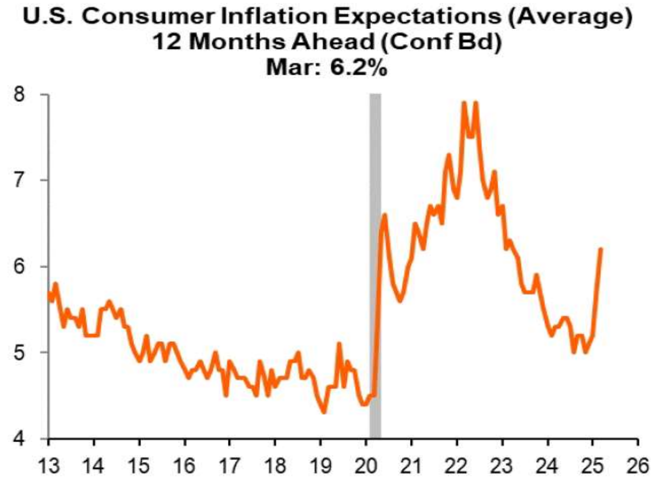
Japanese Markets: Japan's Nikkei 225 fell sharply by approximately -7%, marking one of the worst performances among major global markets. The decline was attributed to U.S. tariffs on Japanese goods, rising interest rates, and weaker manufacturing sentiment. Japan faced headwinds from U.S.-imposed tariffs on automotive exports, which heavily impacted its manufacturing sector. Rising interest rates also pressured corporate earnings and consumer spending. Despite current challenges, potential improvements in corporate governance and wage growth could provide a foundation for recovery later in 2025.

As global markets navigate ongoing uncertainties, including geopolitical tensions and monetary policy shifts, maintaining a diversified portfolio with international exposure remains essential for capturing growth opportunities while mitigating risks.

2025 Updated Outlook: A Picture is Worth a Thousand Words

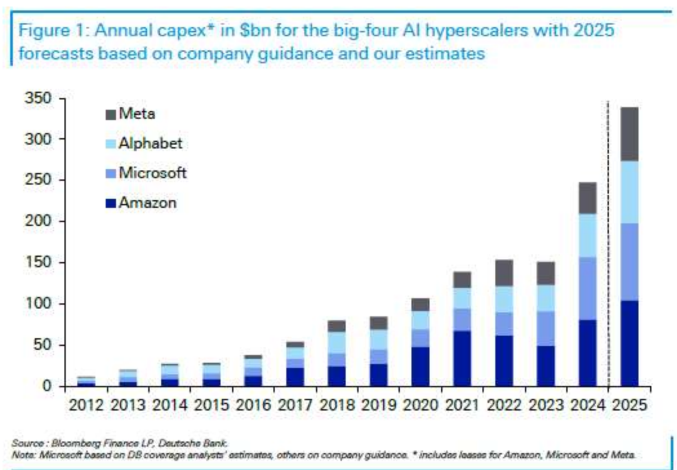
We articulated our updated 2025 outlook above and the key issues and drivers for the stock market. Yet, we believe there are other topics that we haven’t spent much time on that deserve some mention. We decided to express it in pictures to provide you with a shorter read, as everyone’s time is valuable. As they say, a picture is worth a thousand words, and we’ll let you interpret what we view as some compelling charts. We’ve provided a bullet point or two of explanation as to why we think the chart or graphics are important.

The recent spike in inflation expectations is likely being driven by the media talking points about tariffs and how inflationary they are. See our thoughts on tariff-driven inflation above.

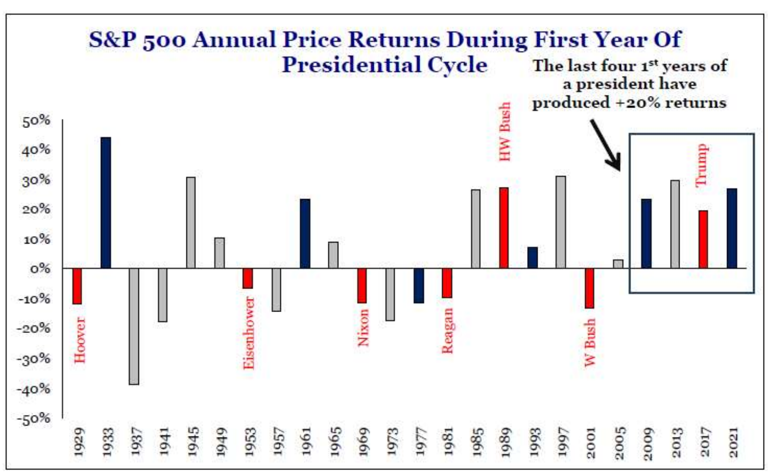


Source: PSC

How sustainable are these increases in AI capex by the largest hyperscalers in the world - the numbers are so large that they are unlikely to continue - is Nvidia's stock the canary in the coal mine?

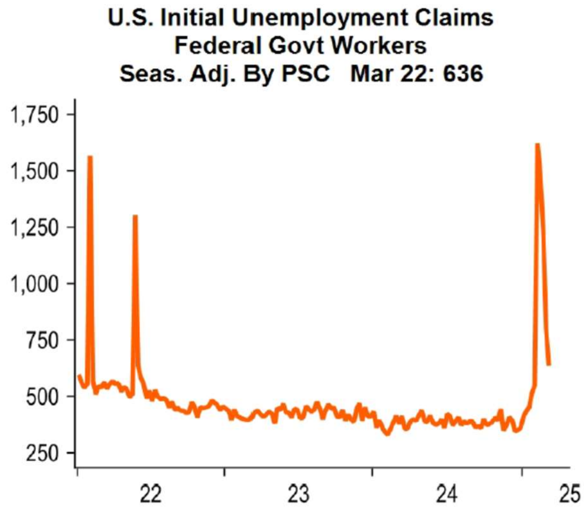


The chart below shows that the first year of the last four Presidential cycles has produced returns of greater than 20% each. For the trend to continue, we're going to need one heck of a recovery over the next nine months.



Source: Strategas

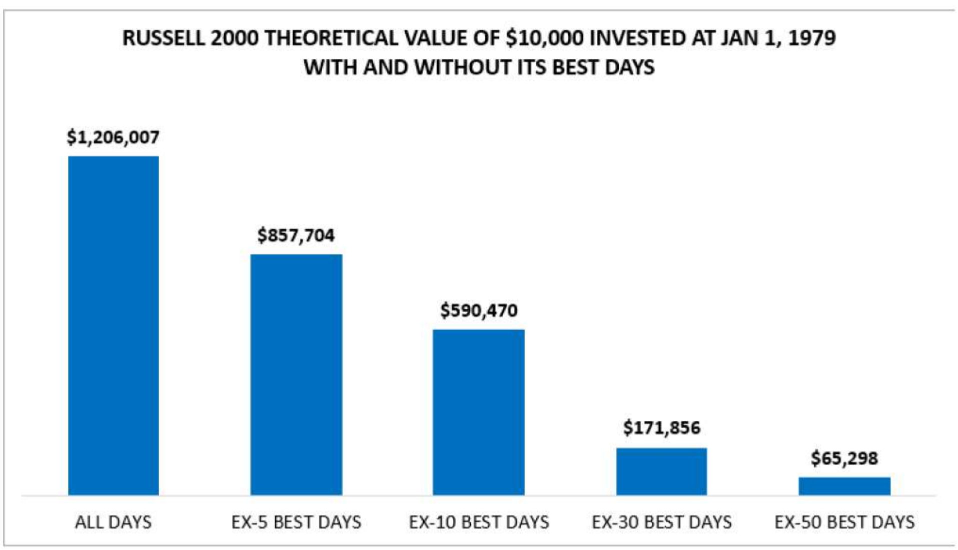
There has been a lot of concern about the personnel cuts that DOGE is making in the Federal government headcount, but many of them must be taking a buyout (early retirement) or getting a severance package because they aren't showing dramatically in the unemployment figures, yet.



Source: PSC

Stock Market Trivia

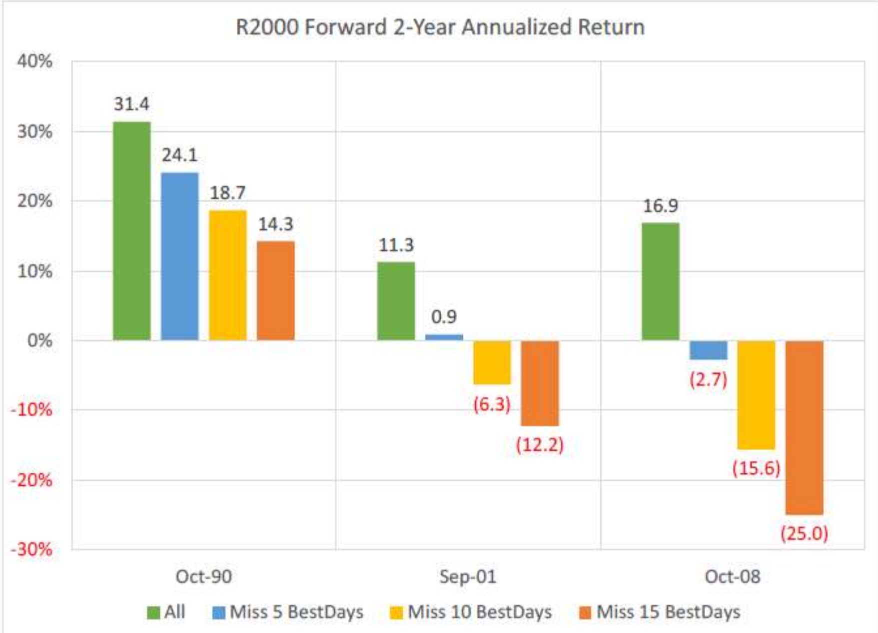
Each quarter, we offer a piece of stock market trivia that we believe is interesting or timely, or both. This quarter, we are focusing on interesting stock market facts related to the investment performance if you are out of the market on just a few of the biggest days in terms of stock market returns. The first chart below shows the performance of $10,000 invested in the Russell 2000 Index since 1979. If you missed just the five best days, your performance was nearly 30% worse than staying invested. The power of compounding and the difficulty of market timing are clearly demonstrated by these numbers.



Source: Furey Research Partners and FactSet. Data and Returns as of 12/31/24.

In a similar vein, the chart below shows the two-year annualized returns for the Russell 2000 following three different bear markets. The difference between each bar chart takes into account the annualized return differential if you missed the top five, 10, and 15 days during these periods. This is what makes market timing so difficult because many times, many of these days happen at the key turning points in the market. The moral of the story is that you have to play to win.

Fig 19. **The key is to stay invested**



Source: FRP, FactSet; Monthly periodicity, as of 3/31/25

We hope you found our first quarter 2025 review and 2025 updated outlook newsletter insightful and interesting. If you have any questions about anything discussed herein or would like more information about 1492 Capital Management, please call us at 414-276-1492.

Kathleen Daley   Adam France   Joe Frohna   Nancy Frohna   Tim Stracka

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1492 Capital Management, LLC
309 North Water Street
Suite 210
Milwaukee, WI 53202
Main: 414-276-1492
Fax: 414-224-9158
www.1492CapitalManagement.com