

In Like a Lion, Out Like a Lamb

Economic and Market Overview

Tariffs and trade dominated headlines and market chatter alike during the second quarter. President Trump launched long-promised “reciprocal” tariffs on April 2, triggering intense market activity. The administration implemented these tariffs on April 9, but suspended them for 90 days just hours later. Chinese imports, however, were exempted from this suspension, and on the same day, the administration raised tariffs on Chinese imports to 125%. (Accounting for previously announced punitive tariffs, total tariffs on Chinese imports to the United States came to 145%.) Unsurprisingly, Chinese authorities raised tariffs on imports from the United States to 125% as well, but by May 12, both countries had retreated from this escalation.

Trade barriers threatened nearly every country, company, good, and service. Mexico and Canada, which together accounted for 28.1% of imports to the United States in 2024,¹ faced potential restrictions alongside European wine, foreign-made films, and iPhones. Many threatened or actual tariffs failed to materialize or underwent suspension or modification. As we write this letter, the ultimate direction of trade policy and the potential reimplementation of tariffs remain uncertain (although markets appear to almost entirely discount a negative outcome).

Capital markets reacted predictably to this trade turmoil: the S&P 500 Index dropped 4.8% on April 3, and the Russell 2000 Value Index fell 6.7%. But the selloff proved short-lived: The S&P 500 Index recovered by May 2, and the Russell 2000 Value Index by May 12. An investor who placed \$100 in the S&P 500 Index on March 31, would have watched it decline to \$88.79 before it recovered to \$110.57 by June 30. One hundred dollars invested in the Russell 2000 Value Index over the same period would have declined to \$87.36 before growing to \$104.97. Similarly, \$100 invested in the S&P 500 Index and the Russell 2000 Value Index December 31, 2024, would now be worth \$105.50 and \$96.84, respectively.² An investor who slept through the entire period from the end of 2024 through June might surmise the markets had experienced a remarkably uneventful year thus far, judging by investment returns alone.

Such sudden and extreme market volatility sharpens our focus on two important tenants of our investment philosophy:³ 1) short-term market inefficiencies create opportunity; and 2) a long-term horizon is critical to consistent long-term performance.

¹ Source: United States International Trade Commission (https://www.usitc.gov/research_and_analysis/tradeshifts/2024/us_trade_industry_sectors_and_selected_trading).

² We present the oft-cited S&P 500 Index, which is a price-only index; that is, its value tracks only the price movement of its constituent securities, and does not account for the effect of dividends or other distributions. We also present the total return figure for the Russell 200 Value Index, which is the secondary benchmark for GVIC's equity investment strategies, and accounts for the receipt and reinvestment of dividends and other distributions. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

³ A list of the six points of our investment philosophy can be found on our website, <https://gvi-corp.com/investment-strategies/>.



When markets overreact to news or developments that investors perceive as negative or detrimental to investors' economic outlooks, selloffs can sweep broadly across sectors. Because the indices that are often understood to represent "markets" are each a collection of constituent securities, market selloffs are driven by an aggregate decline in the prices of those securities, which is often more representative of emotion and sentiment than long-term fundamental financial characteristics. This "throwing the baby out with the bathwater" phenomenon transforms many securities that represented attractive potential investments before a selloff into more attractively priced opportunities — essentially, putting quality businesses on sale. Conversely, when markets overreact to news of developments that investors perceive as positive or supportive of investment prospects, we find ample opportunity to exit positions at prices higher than our appraised value of those companies.

As professional investors, we have witnessed dozens (if not hundreds) of instances of irrational market pricing. Black Monday, the Great Financial Crisis, the Covid-19 pandemic, and recent tariff turmoil all resulted in marked market selloffs — some lasting longer than others— from which markets eventually recovered. The Dot-Com Bubble, the Housing Bubble, and market euphoria following the onset of the Covid-19 pandemic, all featured runups in market pricing that economic and financial data did not fully justify, in our opinion.

While these events created opportunities to transact — buy or sell investment positions — we believe long-term investment success stems primarily from an ability to see through transient events and recognize that markets tend to rise over long periods of time. Benjamin Graham famously said, “In the short run, the stock market is a voting machine. But in the long run, it is a weighing machine.”⁴ This wisdom remains true today.

We identify a small number of companies, whose securities we believe possess a high likelihood of generating meaningful investment returns, then patiently deploy capital into those investments. We monitor and identify such investments thoughtfully, diligently, and deliberately. We expect to realize investment returns over years, not quarters, months, or weeks. We monitor markets daily for such opportunities, striking when the market acts as a “voting machine,” but investing with the expectation that the market will ultimately act as a “weighing machine.”

Portfolio Update

We let the market tell us when to be in and when to be out. During the second quarter, the market told us to be out of several securities via the very natural application of our fundamental discipline: We are price sensitive. When securities trade at a discount to our appraised value, we tend to purchase actively, and when valuations stretch beyond our appraised value, we tend to sell confidently.

In the short term, a security’s price may move independently of broad market sentiment or our appraised value of a company. These price movements may shock less committed investors, prompting them to sell when prices fall or hold on too long when prices rise. Two apparent reasons explain this behavior: 1) lack of a well-defined, repeatable investment strategy; and 2) lack of vigorous commitment to the investor’s research and thesis. The absence of either characteristic forces investors to rely on others’ opinions of price to determine their own actions — a strategy unlikely to produce consistent, long-term investment results.

We believe our adherence to investment discipline distinguishes GVIC from other investment managers. The time we devote to researching individual companies and discussing the merits of our investment theses enables us to remain committed to our appraisal of a company’s valuation. Despite external noise, we maintain our discipline and buy or sell based only on our own research and evaluation of value.

During the past quarter, our process directed equity position sales of Höegh Autoliners ASA, SpartanNash Company, and Climb Global Solutions, Inc. when they reached their appraised value. As a result, most client accounts now carry high cash balances, which we are investing in short-term U.S. Treasury securities. We continue to actively evaluate new equity and debt investment ideas and frequently speak to management teams to gain a deep understanding of companies new to us. However, opportunities to purchase the securities of fundamentally attractive companies at discounted prices have been sparse as of late. Looking forward, we remain prudent sellers when a security’s price reaches our appraised value, buyers when sufficient discounts emerge, and rigorous evaluators of new ideas that meet our well-defined criteria. We look forward to promptly communicating portfolio developments as they occur.

From Our Library

We recently completed *Tribal* by Michael Morris, which explores how tribal instincts explain human thoughts and actions, including in corporate environments. We note the following passage and its applicability to current practices at many public companies:

Long-term transformational change often incorporates both the commitment-based momentum of the grassroots strategy and the compliance-based momentum of the shock-wave strategy.

Morris describes how companies can change trajectories by employing both ground-up approaches originating through the

⁴ This quote appears in Benjamin Graham’s *The Intelligent Investor*, which was first published in 1949. Graham is widely known as “the father of value investing” for his influential writing and teachings on the subject. One of Graham’s teaching assistants during his tenure at Columbia Business School was Irving Kahn, the son of whom assisted with the compilation of certain statistical data for Graham, and is a consultant of GVIC.

employee workforce as well as top-down efforts led by senior management. While this process appears straightforward, achieving desired results demands considerable effort. Many companies we evaluate provide ample platitudes on strategy and culture, but little detail to back up this lip service. Our interest is piqued when managers can speak about such topics granularly, as was the case with SpartanNash Company CEO Tony Sarsam (an investment position that we recently exited when the company announced its acquisition). We often repeat that “people run businesses,” but understanding the application of these three words represents a rigorous qualitative analytical exercise that has become essential to our investment process.

Firm Update

In May, GVIC was named to the PSN Top Guns List of best performing separate accounts, managed accounts, and managed ETF strategies for Q1 2025. The highly anticipated list, published by Zephyr, remains one of the most important references for investors and asset managers.⁵ GVIC’s recognition across multiple categories reflects the firm’s disciplined approach to value investing and its ability to identify opportunities where price dislocations create long-term value potential. This award demonstrates the effectiveness of our investment philosophy over a multi-year period that rewarded patience, disciplined fundamental analysis, and contrarian positioning.

Satendar Singh and JP Geygan both celebrated their eight-year anniversaries with the firm this quarter! Each play a vital role in continuously improving our investment processes and supporting the firm’s mission of deploying patient capital to build generational wealth. Please join us in congratulating JP and Satendar!

We continue to actively expand our client base through proactive outreach efforts and referrals from wonderful clients like you. Your introductions continue to be invaluable in helping us connect with some truly remarkable people.

Concluding Thoughts

If your investment objectives or financial situation has changed, please let us know. We’re happy to discuss appropriate adjustments and planning for both current financial needs and long-term goals.

As always, we are deeply grateful for your ongoing trust and confidence.

Your Investment Research and Advisory Team
Global Value Investment Corporation

⁵ GVIC did not provide any compensation to PSN, Zephyr, or Informa Intelligence, Inc. for this ranking. The complete list of PSN Top Guns and an overview of the methodology can be located at <https://psn.fi.informais.com/>.



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