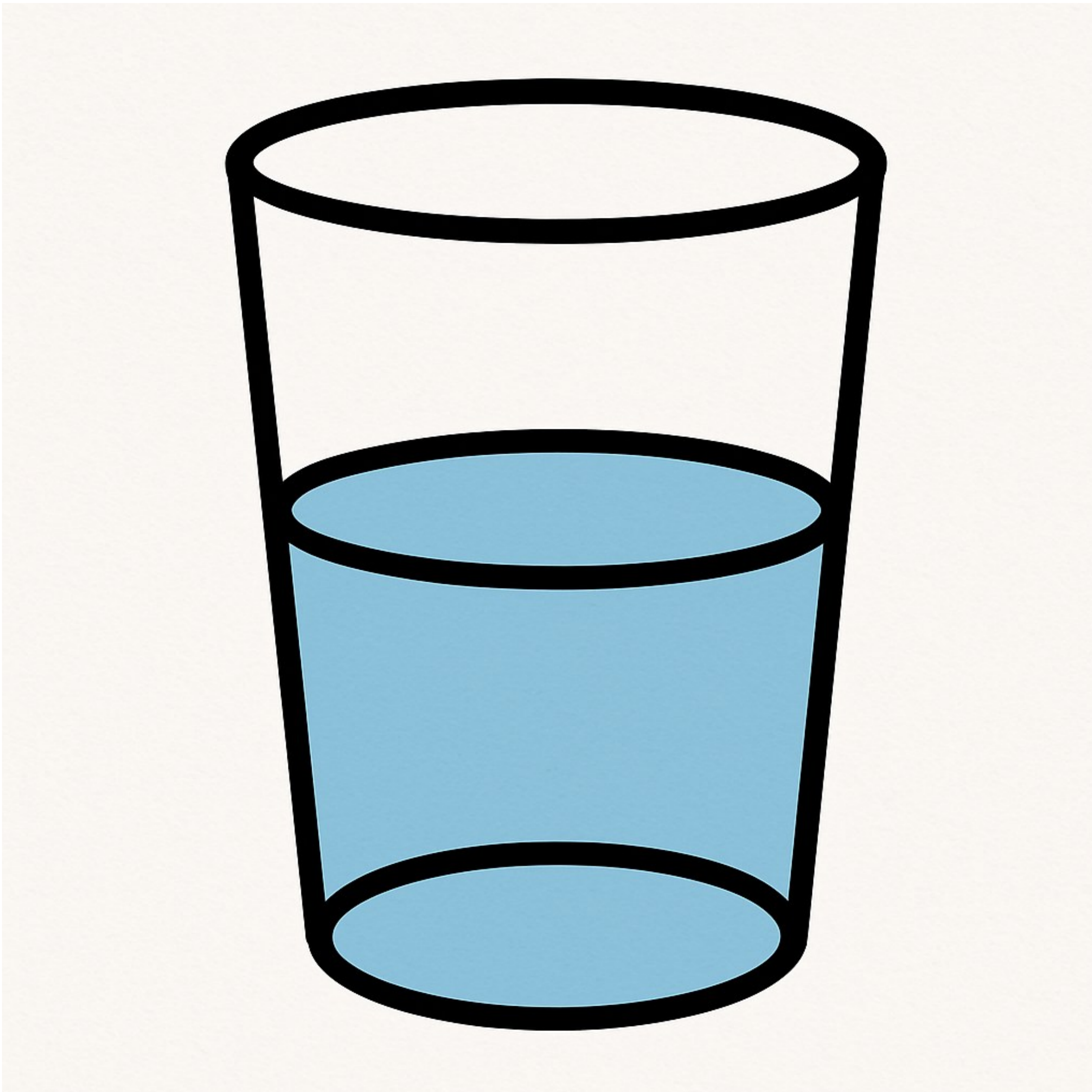
July 2025

THE ADVOCATE



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A Note from the Principal

Dear Friends,

As we embrace the warmth of summer and step into the third quarter of 2025, we find ourselves in a season of both opportunity and complexity. The financial landscape continues to evolve, shaped by global events, policy shifts, and market dynamics. At Cravens & Company Advisors, our commitment remains steadfast: to guide you through these changing times with clarity, discipline, and a focus on your long-term goals.

In this July 2025 issue of *The Advocate*, we explore three critical topics that reflect the current environment and our approach to navigating it. First, in "A Glass Half Full," we address the cascade of headlines that have defined this year—from sweeping tariffs and geopolitical tensions to potentially concerning news from China that their DeepSeek AI platform may be competitive with ChatGPT, and other U.S. models at a fraction of the cost.

Despite these challenges, markets have demonstrated remarkable resilience, signaling cautious optimism. Our "Glass Half Full" article underscores the importance of staying focused on the long term, where disciplined investing can transform uncertainty into opportunity.

Our "Market Review" takes a comprehensive look at the second quarter's robust performance across global equity markets. With the S&P 500 reaching new highs and international markets posting strong gains, the message highlights the value of diversification and strategic cash reserves.

In our "CCA Quality Focus Strategy," we celebrate a significant milestone for our flagship investment strategy. The article highlights our dedication to investing in high-quality, recognizable businesses that provide stability and growth, helping you stay confident through market cycles.

As we navigate the remainder of 2025, our focus remains on turning challenges into opportunities. Thank you for entrusting us with your financial journey. We are honored to serve as your advocates.

Warm Regards,

Wayne H. Cravens
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Cravens & Company Wealth Management
Email: wcravens@cravensco.com

A Glass Half-Full

Wayne Cravens

The first half of 2025 delivered no shortage of reasons to sit on the sidelines. In another era, a confluence of events might have sparked widespread investor retreat:

- **Joint U.S.–Israel strikes on Iranian nuclear facilities**, raising the specter of regional escalation.
- **The steepest U.S. tariff regime since the 1940s,** pushing average U.S. tariff rates to pre-WWII levels and straining global trade ties.
- **China's release of DeepSeek**, a cutting-edge AI platform developed at a fraction of the cost of its American peers.

Layer on stubborn inflation, tight monetary policy, and heightened political division at home and abroad—and you might expect markets to be in defensive mode.

Instead, we're seeing record highs.

This isn't investor complacency. It's a reflection of how markets work: they assess risk, price it in, and look forward. The short term may be noisy, but long-term capital still finds direction. What we're witnessing is not irrational exuberance—but measured optimism in the face of complexity.

Disruption Is Real—So Is Adaptation

The recent tariff package represents a dramatic return to industrial policy, with national security and supply chain independence driving the agenda. Semiconductors, clean energy, AI, and EV components are in focus. Whatever your view of the policy, it marks a structural shift in global trade dynamics that will influence everything from input costs to geopolitical alliances.

The military action in Iran—targeted but symbolic—reminded markets how fragile the global balance remains. Energy markets moved sharply but briefly, a testament to how calibrated such operations have become—and how quickly markets discount tail risks when escalation appears contained.

And then there's DeepSeek. Developed with relatively modest resources, China's homegrown large language model is a technological signal flare. It's proof that innovation is no longer gated by capital alone. Talent, national coordination, and urgency now matter just as much. For investors, this isn't just a China story—it's a global one. The next wave of disruption may come from places many portfolios underweight.

But again: markets are absorbing—not ignoring—these shifts. Equity indices are rising not because risks aren't real, but because investors believe these disruptions will be met with adaptation, reinvestment, and long-term opportunity.

Markets Don't React to Today. They Price in Tomorrow.

We've seen this pattern before.

- **2009**: Amid global bank failures, the S&P 500 bottomed and began a historic bull run.
- **2020**: Markets began recovering just weeks after COVID lockdowns started—well before the human or economic toll was fully understood.
- **1980s**: Inflation exceeded 10%, interest rates were over 15%, and yet markets set the stage for two decades of growth.

In each case, the headlines were dire. But capital markets focused on what came next.

Today's market resilience is consistent with that history. Volatility may spike on new developments, but the trend remains forward-looking.

Innovation Isn't a Trend—It's a Driver

DeepSeek made headlines for good reason. It's a marker of how quickly the innovation race is going global. But it's not an isolated story.

Across sectors—biotech, defense tech, clean energy, logistics, and AI—competition is accelerating. And while that creates pressure, especially on margins and legacy business models, it also generates new winners.

U.S. companies are not retreating. They're responding with capital investment, M&A activity, and aggressive hiring in critical tech verticals. Many of these firms anchor our client portfolios—and continue to lead the charge in fields like quantum computing, synthetic biology, and precision manufacturing.

As always, innovation introduces uncertainty. But long-term, it remains one of the most consistent sources of excess return.

What to Do When Things Are Unclear? Stay Invested—Strategically

Uncertainty tends to make investors freeze. But inaction has a cost.

From 2003 to 2022:

- The S&P 500 returned **9.8% annually**.
- Missing just the **10 best days** cut that to under 5%.
- Missing the top **20 days** dropped it to less than 3%—barely above inflation.

And here's the kicker: the best days often follow the worst ones. Volatility is front-loaded into recoveries. Missing even a handful of those turning points can mean missing years of potential growth.

This is why we continue to stress **disciplined allocation over market timing**. And for families with complex balance sheets, that means more than just riding out volatility—it means leveraging it.

Strategies We're Executing

Here's how we are responding, not reacting, to the current environment:

- **Harvesting losses** to offset gains, reposition portfolios, and rebalance into sectors with more compelling forward valuations.
- **Expanding selectively into private markets**, including credit, equity, and real assets—areas where pricing and structure now favor patient capital.
- **Revisiting philanthropic strategies**, especially where appreciated assets, shift-

ing deduction limits, or potential tax changes may affect timing and structure.
- **Strengthening governance**—from formalizing family investment committees to facilitating cross-generational planning conversations and education.

Zooming Out: The Case for Realistic Optimism

It’s easy to feel overwhelmed. Tariffs. Wars. Elections. AI breakthroughs. They all demand attention.

But perspective is powerful.

Progress has never been linear. It moves through conflict, adapts through competition, and often accelerates during periods of volatility. The strength of U.S. enterprise, the adaptability of capital markets, and the global push toward innovation all suggest the same thing: this isn’t a time to retreat—it’s a time to refine.

Stay Focused. Stay Nimble. Stay Engaged.

We won’t pretend to know the next headline. But we do know how to help families prepare for a range of outcomes—through thoughtful planning, disciplined allocation, and clear alignment around long-term goals.

If recent developments have you reconsidering any part of your strategy—investments, estate plan, philanthropic structure—we’re here. Let’s cut through the noise, sharpen the focus, and keep moving forward.

The glass isn’t empty. It isn’t full. But it’s full of potential.

CCA Quality Focus Strategy

Caleb Rouse

Since its launch in 2014, our Quality Focus Strategy has been quietly but consistently doing what it was designed to do. It participates in long-term equity growth by owning a select group of resilient, well-known companies. The strategy is not new, but the visibility around its performance is. Earlier this year, we completed a full performance audit with The Spaulding Group, a leading independent verification firm. The audit covered the period from October 1, 2014, through December 31, 2024, and confirmed what many of our clients have long experienced: strong performance, lower volatility, and a reassuringly transparent approach to equity investing.

The returns tell the story clearly. Over the ten-year audited period, the Quality Focus Strategy produced an annualized net return of 13.7 percent. During that same period, the S&P 500 returned 13.6 percent, and the MSCI World Index delivered 11.2 percent. That result aligns with our goal, which is not to beat the market every quarter or chase trends, but to participate in the durable growth of great businesses in a way that helps our clients stay invested over time.

Returns, however, are only part of the story. What makes the Quality Focus Strategy especially valuable is how it performed during uncertain periods. Over the same audited timeframe, it exhibited less volatility than either benchmark. The ten-year standard deviation for the strategy was 11.7 percent, compared to 15.5 percent for the S&P 500. Standard deviation is a common measure of risk and reflects how much an investment's returns have varied over time. In simple terms, the lower the standard deviation, the more consistent the performance. For our clients, that means fewer dramatic swings and a smoother investing experience.

The strategy's beta was 0.68, a measure of how sensitive it is to overall market movements. A beta below 1.0 indicates that the portfolio has historically moved less than the market in both up and down periods. This is especially important during market corrections, when limiting downside exposure helps investors stay committed to their long-term plan.

In addition, the R-squared for the strategy over this period was 0.84. This measures how closely the strategy has tracked the market over time, with a value of 1.0 meaning perfect correlation.

Our R-squared indicates that while the strategy moves broadly in line with the market, the differences are intentional—driven by stock selection, not random deviation.

The strategy also generated a ten-year alpha of 3.31. Alpha is a measure of value added above what would be expected for the amount of risk taken. Positive alpha is the holy grail of active management, and our result reflects meaningful outperformance after accounting for volatility and market exposure.

These figures reflect more than statistical outperformance. They support the central goal of the strategy: to participate in market growth while softening the ride along the way.

That translates to a better client experience, fewer emotional ups and downs, and a stronger likelihood of staying disciplined through market cycles.

From the beginning, the Quality Focus Strategy has been built around a simple idea. We own businesses that clients recognize, understand, and trust. Companies like Microsoft, Starbucks, JPMorgan Chase, Meta, Boeing, and Blackstone are not speculative ideas. They are essential participants in the global economy, with durable competitive advantages and financial strength that allow them to navigate through economic turbulence. This familiarity is not a byproduct of the strategy. It is part of the design. We believe that when clients know what they own and why, they are better equipped to stay the course and make sound long-term decisions.

The Quality Focus Strategy does not rely on economic forecasts or short-term predictions. Instead, we invest with the mindset of business owners rather than traders. Our goal is to own high-quality companies at reasonable valuations and to hold them as long as the fundamentals remain intact. Over time, this approach has helped our clients avoid the common behavioral traps that often accompany volatile markets.

Our strategy also includes a clear response to investor behavior.

When negative headlines cause high-quality companies to trade at discounted valuations, we look to add. When investor enthusiasm drives beyond reasonable levels, we may reduce exposure. This process is grounded in valuation discipline and is designed to support consistent long-term outcomes.

Our research process includes both internal and external inputs. While we rely on our own analysis to drive decisions, we also observe the activity of credible institutional investors with long-term track records of success. By reviewing their public filings, we often find additional validation for the companies we already favor. This is not about imitation. It is about drawing confidence from the real-world decisions of others who share a disciplined and long-term orientation.

The completion of this audit is not a turning point. It is a milestone that affirms our process, our discipline, and our outcomes. The companies are the same. The process is unchanged. What is different now is our ability to point to audited results and show, with third-party confirmation, that the Quality Focus Strategy has worked both in absolute return and in delivering a smoother, more confident client experience.

Over the years, clients have asked why we own what we own. The answer has always been the same. We believe in these businesses, and we believe our clients should too. The visibility of these companies is part of the strategy's design. Clients can read about them in the Wall Street Journal and follow their earnings reports on television. That accessibility builds confidence.

When confidence is paired with a sound process, clients are better equipped to stay invested through the inevitable challenges of the market.

The Quality Focus Strategy may not be flashy. It is not a product of the moment. But over the past ten years, it has produced strong, audited, and verifiable results with less volatility than the benchmark. In a world filled with noise and speculation, we believe that kind of clarity is something worth holding on to.

Market Review

Woody Welch

In the second quarter of 2025, global markets faced a complex mix of encouraging economic data, ongoing geopolitical uncertainty, and evolving global central bank policies. Nonetheless, the S&P posted a strong gain, reaching a new all-time high, and fixed-income markets were positive across most segments.

The S&P 500 gained 10.94% in the second quarter, driven by continued earnings resilience in the technology and communication services sectors. Year-to-date, the index is up 6.2%. Small-cap stocks also moved higher in the three months, gaining 8.5% (Russell 2000).

Internationally, developed market performance was also strong, gaining 11.78% (MSCI EAFE). Importantly, most of this return is due to currency effects, specifically a weaker U.S. dollar. (In local currency, returns were 4.8%.) Emerging markets rose 11.99% (MSCI EM), benefiting from improving sentiment around China's fiscal stimulus and currency stabilization efforts. Geopolitical risks, including ongoing instability in Eastern Europe and the Middle East, remain potential catalysts for volatility.

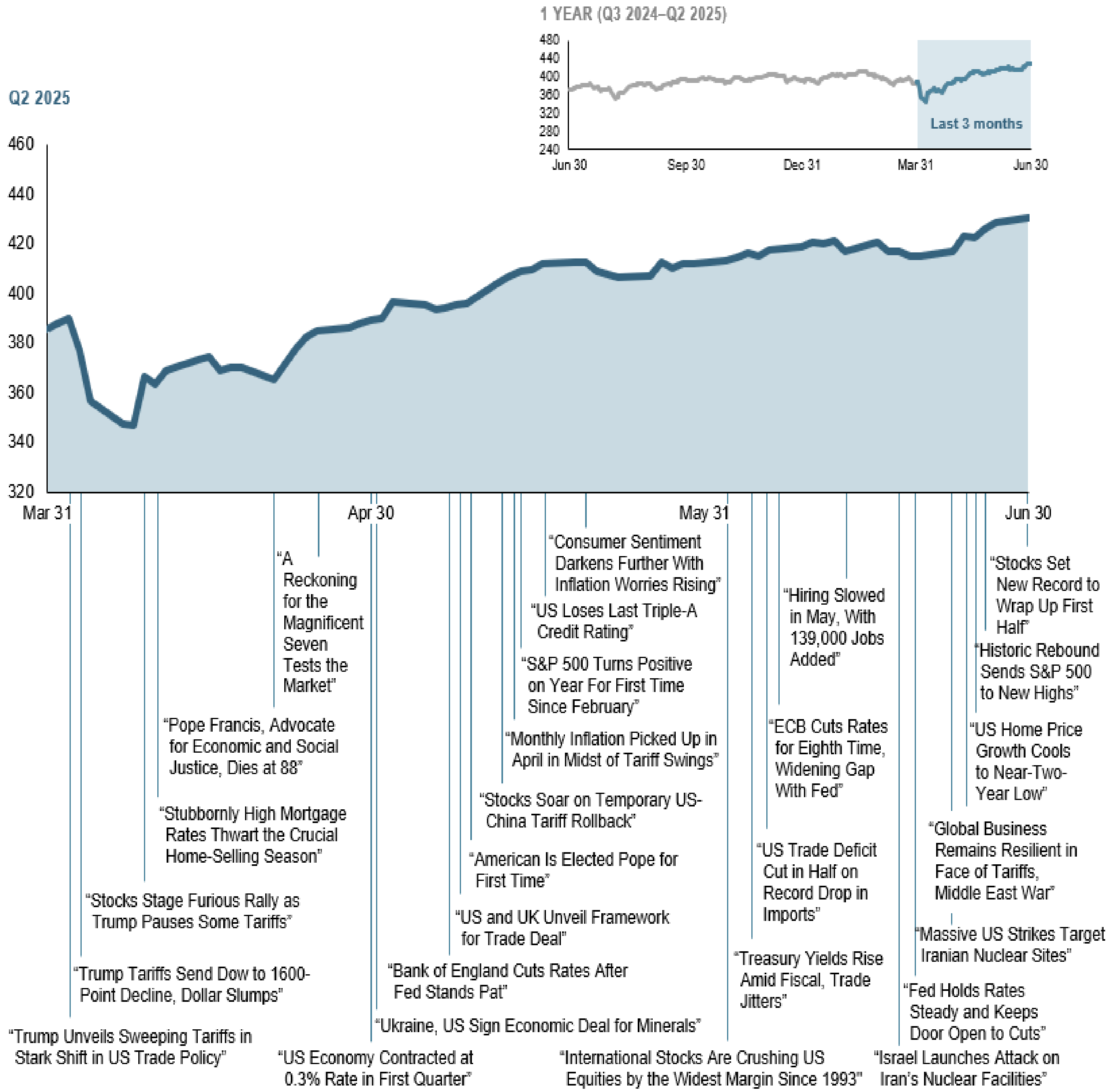
Within fixed income, the 10-year Treasury yield started the quarter at 4.23% and ranged between 4.01% and 4.58% before ending the quarter at 4.24%. In the period, investment-grade core bonds ended the quarter up 1.21% (Bloomberg US Aggregate Bond).

Investment Outlook and Portfolio Positioning

The Federal Reserve maintained its target range for the federal funds rate at 4.25% to 4.50% in June, marking the fourth straight

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2025



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2025, all rights reserved. Index level based at 100 starting January 2000.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio.
Past performance is not a guarantee of future results.

Source: Fred. Data as of June 1, 2025.

meeting with no change. Chair Powell reiterated the Fed's commitment to a data-dependent path, acknowledging the uncertainty introduced by recently imposed tariffs. While the Fed's official forecast includes two rate cuts by year-end, internal projections now show a more divided committee, with seven of the nineteen participants expecting no cuts this year.

Inflation, particularly when measured excluding shelter, remains within a benign range, having stayed below the Fed's 2% target in 19 of the past 24 months. However, upcoming tariffs may temporarily lift headline inflation. The Fed appears willing to look past short-term distortions if the underlying trend remains anchored. In the meantime, corporate and consumer behavior has remained steady, albeit cautious, as borrowing costs remain high.

Labor market conditions showed early signs of cooling. Unemployment ticked up to 4.1% in June, and job openings declined in several sectors. Wage growth remains positive but has moderated, easing pressure on inflation. The economy grew at an estimated 2.5% pace in the second quarter, rebounding from a Q1 contraction that stemmed largely from a one-time surge in imports ahead of tariff implementation. The revised Q1 weakness now appears more technical than fundamental.

At the portfolio level, we maintained a strategic balance across equities and fixed income while staying vigilant about the risks posed by elevated valuations and policy-driven uncertainty.

Portfolios benefited from exposure to small-cap and value-oriented equities, while international holdings were bolstered by currency tailwinds and improving fundamentals. Our bond positions continued to emphasize high-quality issuers and intermediate duration, capturing income while avoiding unnecessary duration risk.

We continue to favor areas with stronger fundamentals and more attractive valuations, including international developed markets and segments of U.S. value stocks. In particular, select sectors in Europe and emerging Asia now offer meaningful long-term opportunities. On the domestic front, high-quality companies with stable cash flows and strong balance sheets remain a cornerstone of our allocation, especially amid uncertain economic and policy signals.

As volatility continues to be driven as much by headlines as by fundamentals, we believe that avoiding reactive portfolio decisions is more important than ever. Strategic cash reserves remain a useful tool, offering the flexibility to add exposure during market pullbacks or to meet liquidity needs without having to sell quality assets at inopportune times.

So far, the uncertainty and angst surrounding the tariffs have primarily affected market sentiment rather than corporate fundamentals. First-quarter earnings concluded with a strong showing, growing by over 13% compared to a consensus forecast of mid-single-digit growth at the start of the earnings season. While U.S. equity valuations are undeniably elevated by historical standards, that alone does not imply an imminent correction. If the earnings continue to grow strongly, the risk may be avoided, but if growth slows, risk will be elevated due to the high valuations. We expect the most impactful wildcard for Global earnings will be the Tariff decisions by President Trump.

Outside the U.S., valuations for international stocks remain attractive and are currently trading at a meaningful discount (i.e., cheaper) compared to U.S. stocks. After gaining 20% through the first half of the year (MSCI EAFE Index), if the U.S. dollar continues to weaken, it will remain a tailwind for international stocks.

Closing Thoughts

While the second quarter's strength may appear to contradict headlines filled with concern over trade policy and inflation, markets are often forward-looking. A soft landing remains possible, and current earnings and economic data suggest the U.S. economy is not yet faltering.

However, risks remain. Tariff implementation, a divided Fed, and potential geopolitical surprises could still introduce volatility.

Corporate fundamentals remain relatively sound, but valuations are elevated in many parts of the market, making earnings growth a more critical driver of future returns. First-quarter earnings came in well above expectations, and while Q2 results are still being reported, early signs suggest that companies are managing through uncertainty with reasonable discipline. Forward guidance will be a key indicator of how CEOs and CFOs are viewing the remainder of the year.

As we look to the second half of 2025, our attention is focused on three key areas: clarity on the Federal Reserve's policy path, the direction of trade and tariff negotiations, and the durability of corporate earnings growth. These variables will likely set the tone for both investor sentiment and asset class performance through year-end.

History has shown that disciplined investors are rewarded for maintaining perspective during uncertain times. Our approach remains grounded in fundamentals, emphasizing diversification, valuation discipline, and risk management. We appreciate your continued trust and look forward to helping you navigate the road ahead.

Tee Up for a Cause

Taylor Anderson

Since 2004, The Rains Foundation has served as a pillar of hope for deserving students in the Upper Cumberland region, awarding more than $325,000 in scholarships to 177 students across Cumberland, Fentress, Morgan, Pickett, and Putnam counties. Founded by Steve Rains in memory of his father, Lyndon Rains—who was a passionate advocate for athletics, scholarship and entrepreneurship—the foundation continues to open doors for deserving students thanks to the vision and commitment of Steve's wife, Emily Rains, and the generosity of this incredible community.

Both Lyndon and Steve believed deeply that education was the key to success. Steve, a Tennessee Tech graduate, started the foundation to help students in the Upper Cumberland earn college degrees they might not otherwise afford. After his passing in 2017, Steve's family and friends established the Rains Foundation Scholarship Endowment at Tennessee Tech, ensuring his impact would live on for generations.

Now in its 21st year, the Foundation's annual golf tournament is still the biggest driver of scholarship funding—and this year's event is set for Saturday, August 9, 2025. Join us for a meaningful day of golf, friendly competition, and community spirit, at The Golden Eagle Golf Club.

The tournament will feature contests like longest drive and closest to the pin, with prizes and bragging rights on the line. Whether you're a scratch golfer or just there for the cause, you'll be making a real difference.

Get Involved

As this year's tournament approaches, we warmly invite everyone in the community to get involved—whether as golfers, sponsors, or volunteers. Your participation and generosity have a real impact.

To register or explore sponsorship opportunities, scan the QR Code above, visit **therainsfoundation.org**, call 931-528-6865, or email **tanderson@cravensco.com.**

Your Financial Advocate

You have goals you want to achieve… places you hope to go… things you want to do… people you desire to spend time with.

These dreams have motivated you over the years to work hard and to sacrifice.

Fully realizing your dreams also takes planning and execution to get them “over the top”.

Whether you aspire to…

...travel the world with your spouse…

…spend more time on hobbies like flying, cooking, or wine collecting…

...live on a ranch in the country or a cabin in the mountains…

...create a legacy for your children and grandchildren…

...support the charities and causes that you hold dear...

We can help you create and execute a comprehensive plan for financial success. One that will give you the confidence to spend your free time on the other things that are important to you.

At Cravens & Company Advisors, our mission is to help successful individuals and their families realize and enjoy their life goals. We are an SEC-Registered Investment Advisor that combines holistic planning, personalized investment management, tax and estate strategies, and business planning with a proactive, solutions-oriented mindset. The result is a fiduciary with a plan and a culture centered on your success; however you define it.

Since 1996, we have been serving the specialized needs of family businesses and their owners, professionals, and successful retirees. While prudent investment advice is a foundational component of our service, we believe developing an intimate understanding of your overall financial situation and goals is essential to formulating your strategy. Our holistic approach enables the development of solutions with the highest possibility for success. Because goals cannot be measured by return, we benchmark our progress as a firm in the same way you do as our client; by successful outcomes.

As we discuss your situation, goals, and concerns; we hope you will recognize the benefits that come with our independence and objectivity. As your fiduciary, we are held to the highest standard of transparency, objectivity, and disclosure. Simply put, we have not only an ethical but also a legal requirement to always act in your best interest.

Our goal is to provide each client with the leadership, relationship, and creativity needed to allow them to achieve their life’s goals and, even more importantly, the confidence to enjoy the journey. After all, what is the point of all the work and worry if you do not get the satisfaction of realizing the results?

At Cravens & Company, we have a team that is by design, ready to work for you. If you have complex financial issues and/or desire a relationship of this type, please contact us to arrange an introductory meeting. We can be reached at 931-528-6865 or by email at info@cravensco.com.

Cravens &Co.

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WEALTH MANAGEMENT