

## Dear Clients,

It is my honor to present the 2025 Missions Services (MS) Annual Investor Letter.

The table below presents MS after-fee returns vs S&P 500 since MS' inception. Benefiting from a strong overall equity market, MS delivered a satisfactory absolute return in 2025, though it lagged its long-term yardstick, the S&P 500 index. While short-term relative performance always matters, our focus remains on protecting and compounding capital prudently over full market cycles.

### Missions Services After-Fee Returns vs S&P 500

Return	MS <sup>1</sup>	S&P 500
2020 (since inception: July 13, 2020 - Dec. 31, 2020)	12.1% to 14.6%	9.6%
2021	-4.2% to 9.3%	26.9%
2022	-19.3 to -8.7%	-18.1%
2023	19.5%-35.1%	26.3%
2024	24.6-25.6%	25.0%
2025 <sup>3</sup>	2.6%-15.6%	17.9%
Cumulative return <sup>2,3</sup>	118.7%	121.0%

*Note: Client returns vary mainly due to different inception dates and asset flows. The S&P 500 returns are of the market index, dividend included. The returns of S&P 500 funds are slightly lower due to fees.*

### Market Context and Positioning

MS's relative underperformance in 2025 should not come as a surprise. At the start of the year, I expressed the view that U.S. equity valuations were elevated and therefore MS would position portfolios defensively. That judgement proved incorrect in the short run. The S&P 500 delivered a total return of 17.9% in 2025, which drove the cumulative return of S&P 500 since MS inception to 121%, an annualized return of 15.6%.

These outcomes vividly illustrate two points I emphasized last year: first, that "while the market price seems high -- and it is high -- but may not be as high as it seems", and second, the importance of "Skin in the game".

The S&P 500 produced consecutive annual returns of 26.3% (2023), 25.0% (2024), and 17.9% (2025). This is one of the strongest multi-year runs in U.S. market history, a sequence matched only by rare historical periods such as 1995–1999 and 2019–2021 (see the appendix S&P 500 table at the back of the letter). Since inception, MS has compounded at a 15.4% annualized after-fee return, closely tracking the S&P 500 at 15.6% over the same period.

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<sup>1</sup> The MS returns are after the fees of either 1% of assets under management or 25% after 5% return.

<sup>2</sup> The MS cumulative return of 118.7% corresponds to a client who invested at MS's inception of and did not add or withdrawn funds afterward, a period where the S&P 500 cumulative return was 121.0% as reported in the table.

<sup>3</sup> In previous years, we reported MS cumulative return by client accounts. However, as the number of MS client accounts grow, it becomes confusing to report in this fashion. For example, the 2.6% return in 2025 represents the annualized return for a client who opened the account in the third quarter of 2025, a period where the annualized S&P 500 return was 22.9%. Had we included the 2.6% in the cumulative return line, it only represents a return of a very short time which only introduce randomness in the MS performance.

While I repeatedly stated in prior letters that U.S. equity market is the place to be, I would not have dreamed returns of this magnitude, especially factoring in the intervening shocks of the Covid-19 pandemic, the Russian-Ukraine War, the trade war, and the list can go on and on...

Looking ahead, we must remain prepared for meaningful market corrections. I believe this period of extraordinary market performance is **very unlikely** to continue in the coming 3-5 years. Remember 2022? I have revisited the bear market episodes in my 2022 annual letter, and today the sense of déjà vu is hard to ignore. Our working assumption is that **forward S&P 500 return over the next 3–5 years would be modest**, potentially at 0 to 2% annualized.

Under this assumption, MS may underperform in 2026 should the bull market continue, given our defensive positioning. Conversely, we believe this posture positions MS to meaningfully outperform.

### Magnificent 7: Game On, with New Risks

The “Magnificent 7”—Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla—rose roughly 23% as a group in 2025, accounting for nearly 35% of the S&P 500’s market capitalization by year-end, another all time high. Gains were uneven: Alphabet and Nvidia led, while others posted more moderate advances. MS largely maintained its existing exposure to the “Magnificent 7” holdings throughout 2025, reflecting a balance between the exceptional quality of these businesses and the elevated valuations at which they trade.

What is underappreciated is that some of these businesses have structurally shifted from capital-light to capital-intensive models, driven largely by the huge AI-related infrastructure investment. Recent earnings reactions at Amazon and Microsoft suggest the market is beginning to recognize this change. Whether the AI-related investment ultimately translates into durable shareholder returns is uncertain.

### AI Stocks: Discipline over FOMO

AI-related equities were among the biggest winners in 2025. Aside from our exposure through Alphabet and Alibaba, MS largely missed this rally. The fear of missing out (FOMO) is very human as envy and greedy are deeply embedded in human nature. Sure, we have missed, and may continue to miss, the winners such as Nvidia, Broadcom, and SanDisk, but history also teaches us that many people are ruined by gambling.

On the positive side, by staying away from the various FOMO stocks since its inception, MS has avoided the disaster results such as the GameStop, AMC, and many many SPAC stocks.

I will continue staying restraint in investing in AI stocks going forward. Thomas J. Watson Sr. once said, “I am no genius – I am smart at several spots, and I stay within those spots”. Prudence—not participating in every trend—has historically proven to be the better long-term strategy.

### Software Sector: Negative Externalities of AI

Software stocks were among the best performers of the past decade, at least through Sep. 2025. Investors were drawn to the sector’s capital-light business models, high returns on investment capital, strong margins and recurring revenue characteristics. Since then, however, the group has experienced a sharp reversal suddenly.

Amid growing fear that AI could disrupt long-term earnings trajectories, software stocks across market-capitalization spectrum, from large-cap companies such as Salesforce, ServiceNow, Adobe, to med-cap firms such as Paypal, Fisev and Shift4, and smaller companies such as Trade Desk, SimilarWeb and IBEX, have seen stock prices declines ranging from 50% to 90% from their peaks. Notably, this drawdown has occurred in what has otherwise been a very benign market environment.

While such reversals may seem hard to believe, market history repeatedly demonstrates how quickly and dramatically sentiment and valuation can shift. MS has avoided software stocks all together in prior years. Today, we believe this dislocation may be creating selective opportunities.

### [Alibaba: A Long-Awaited Inflection](#)

In last year's letter, I outlined several fundamental improvements at Alibaba, including aggressive share repurchases, dividends, renewed earnings growth, cloud profitability, and regulatory resolution in China. In 2025, these developments finally translated into meaningful stock price appreciation.

An additional, albeit less anticipated, tailwind has been Alibaba's positioning in AI infrastructure and applications. First-hand use of its ecosystem—particularly within Taobao—has amazed me the real-world utility of these advances.

As I write this letter, news emerged that Alibaba had been added to the U.S. Pentagon's alleged military support list. Only hours later, it was removed from the list. Developments of this nature can move the stock price day by day, or even minute by minute, as such designations may carry real business implications. We will continue to monitor the situation. At the same time, we remain mindful that reacting to each headline is neither practical nor productive.

It is the fundamentals of business matters for long-term investment results. We will continue to hold our Alibaba position and believe its best days may still lie ahead.

### [Berkshire Hathaway and Buffett: A Timeless Framework](#)

Berkshire Hathaway is MS' largest position. It had meaningfully outperformed the S&P 500 from the beginning of 2025 until Warren Buffett's retirement announcement. For the year, Berkshire lagged the index modestly, reflecting investor caution around leadership transition rather than any deterioration in business quality.

Warren Buffett has been and will always be a personal hero of mine, guiding my way, both in investing and in life. As his career reaches a new milestone at age 95, it is fitting to reflect on past U.S. equity market booms and busts, both as a tribute to Buffett's legacy and as a reminder of the enduring lessons his career continues to offer.

#### *1973-1974: The Nifty Fifty Bust*

Buffett beforehand: By the end of 1960s, Buffett viewed the "Nifty Fifty" as grossly overvalued. In 1969, he dissolved his partnership, saying bargains had dried up and suggested investors might do better in tax-exempt bonds.

Market decline: From early 1973 to 1974, the market fell ~45% amid recession, inflation, and the oil embargo. The Nifty Fifty collapsed, validating Buffett's caution.

Berkshire's response: After waiting, Buffett bought aggressively at distressed prices. In 1973, Berkshire purchased the Washington Post at ~25% of intrinsic value; despite further declines (at one point ~80% below intrinsic value), he held. The \$10.6m investment became \$221m by 1985. By late 1974, Buffett called stocks "irresistible," famously saying it was "the time to start investing."

#### *1987: Black Monday*

Buffett beforehand: Buffett warned of growing speculation, criticizing managers who treated stocks as "tokens in a game." He highlighted the risks of "portfolio insurance" and held substantial cash, signaling caution.

Market decline: On October 19, 1987, the Dow fell 22.6% in one day—the largest one-day drop in history. The shock was severe but brief; the Dow ended the year slightly higher.

Berkshire's response: Buffett did not sell into the panic. Expecting sudden drops as a normal risk, he waited, then bought. In 1988, Berkshire began accumulating Coca-Cola at depressed prices, ultimately investing ~\$1bn for ~7%, a stake still held today. He also backed Salomon Brothers.

#### *2000–2002: The Dot-Com Bust*

Buffett beforehand: During the late-1990s tech boom, Buffett openly warned that expectations were unrealistic. In 1999, he argued that double-digit returns could not persist when earnings growth was far lower, likening the logic to believing "New York has more lawyers than people."

Market decline: From 2000–2002, the Nasdaq fell ~80% and the S&P 500 ~45%. Tech stocks imploded, and the broader market stagnated for years.

Berkshire's response: By avoiding tech excess, Berkshire was largely unscathed and outperformed in the early 2000s. Buffett redeployed capital into durable businesses (e.g., American Express, Coca-Cola) and opportunistic investments, including PetroChina, which later produced ~700% gains. The playbook echoed 1974: avoid mania, buy value.

#### *2008–2009: Global Financial Crisis*

Buffett beforehand: Buffett warned for years about leverage and derivatives ("financial weapons of mass destruction"). By 2007, he criticized housing excesses and amassed a large cash reserve (> \$40bn), preparing for stress.

Market decline: Following Lehman's collapse, the S&P 500 fell ~50% from peak to trough amid systemic financial fear and recession.

Berkshire's response: Buffett acted as buyer of last resort. In October 2008, he published "Buy American. I Am." He invested in favorable terms in Goldman Sachs, GE, and later Bank of America, and bought equities near the lows. The combination of early warnings and decisive buying mirrored 1974.

#### *2020: COVID Crash*

Buffett beforehand: Entering 2020, Buffett was cautious. Berkshire held record cash (> \$100bn), citing "sky-high" prices and a lack of attractive opportunities.

Market decline: In Feb–Mar 2020, the S&P 500 fell ~34% in weeks—the fastest bear market on record—before a stimulus-driven rebound.

Berkshire's response: Buffett sold ~\$6bn of stock, including airlines, judging their economics permanently impaired—an unusual but disciplined move. He maintained long-term optimism (“Never bet against America”), made selective investments later in 2020, increased buybacks, and kept most cash amid uncertainty.

#### *2020–2025: A Familiar Pattern*

Speculation warnings: Buffett again criticized markets behaving like casinos—day trading, options, and zero-commission apps turning stocks into “poker chips.”

Positioning: Berkshire maintained large cash balances through exuberant markets, then bought aggressively during fear (notably in early 2022).

It is a movie that is in play, we are watching when, not if, market declines and how Berkshire will respond.

#### [Outlook: 2026–2030](#)

If history is any guide, Buffett's current stance (holding more than \$350 billion in cash) resembles prior market peaks and ensuring corrections.

Thank you for your continued trust and partnership. Should markets become less forgiving in the years ahead, I believe our investment principles and discipline will prove to be valuable assets, offering meaningful opportunities for relative outperformance.

Happy Chinese New Year!

Yours truly,

Zhaogang Qiao

Principal

A handwritten signature in black ink, appearing to read "Zhaogang Qiao". The signature is fluid and cursive, written over the printed name.

02/15/2026

Appendix: S&P 500 Total Return by Year

<b>Year</b>	<b>Total Return</b>						
2025	17.9%	1999	21.0%	1973	-14.7%	1947	5.7%
2024	25.0%	1998	28.6%	1972	19.0%	1946	-8.1%
2023	26.3%	1997	33.4%	1971	14.3%	1945	36.4%
2022	-18.1%	1996	23.0%	1970	4.0%	1944	19.8%
2021	28.7%	1995	37.6%	1969	-8.5%	1943	25.9%
2020	18.4%	1994	1.3%	1968	11.1%	1942	20.3%
2019	31.5%	1993	10.1%	1967	24.0%	1941	-11.6%
2018	-4.4%	1992	7.6%	1966	-10.1%	1940	-9.8%
2017	21.8%	1991	30.5%	1965	12.5%	1939	-0.4%
2016	12.0%	1990	-3.1%	1964	16.5%	1938	31.1%
2015	1.4%	1989	31.7%	1963	22.8%	1937	-35.0%
2014	13.7%	1988	16.6%	1962	-8.7%	1936	33.9%
2013	32.4%	1987	5.3%	1961	26.9%	1935	47.7%
2012	16.0%	1986	18.7%	1960	0.5%	1934	-1.4%
2011	2.1%	1985	31.7%	1959	12.0%	1933	54.0%
2010	15.1%	1984	6.3%	1958	43.4%	1932	-8.2%
2009	26.5%	1983	22.6%	1957	-10.8%	1931	-43.3%
2008	-37.0%	1982	21.6%	1956	6.6%	1930	-24.9%
2007	5.5%	1981	-4.9%	1955	31.6%	1929	-8.4%
2006	15.8%	1980	32.4%	1954	52.6%	1928	43.6%
2005	4.9%	1979	18.4%	1953	-1.0%	1927	37.5%
2004	10.9%	1978	6.6%	1952	18.4%	1926	11.6%
2003	28.7%	1977	-7.2%	1951	24.0%		
2002	-22.1%	1976	23.8%	1950	31.7%		
2001	-11.9%	1975	37.2%	1949	18.8%		
2000	-9.1%	1974	-26.5%	1948	5.5%		