

Truffle Portfolio

3Q 2025 Investor Letter

Dear Long Term Investors,

This year was supposed to be packed with triggers for a recession: tariffs flaring up, the DeepSeek AI moment challenging US Tech dominance, geopolitical escalations in Ukraine and Gaza, China firing back with retaliatory tariffs, and inflation proving persistently sticky. Each of these could have triggered a serious correction on its own. Together, they looked like a full-blown storm.

At the time of our Q1 letter, the S&P500 was down approximately 12%, and it didn't stop there. By the end of April, the market declined even further.

That was when I received the most messages questioning our outlook. Some investors were openly skeptical of our call for a recovery.

But if there's one thing experience teaches us, it's this: markets always look darkest before the dawn.



Source: Tradingview

And sure enough, the rebound came fast and hard. We then witnessed one of the fastest V-shaped recoveries in recent memory, down 21% in 47 days, and fully recovered in just 1.5 months. That's not a bounce. That's a sprint. And underlying it all, corporate earnings remained robust, just as we noted in our Q1 letter.

Let's revisit some of the arguments we put forward in the previous letter

China–U.S. Tensions: No One Wins a Firefight

Despite heavy rhetoric around tariffs, Trump is ultimately a businessman. He understands the main idea of leverage is to use it to achieve an objective and you don't destroy your counterpart if you want leverage. You pressure them enough to extract value, not back them into a corner.

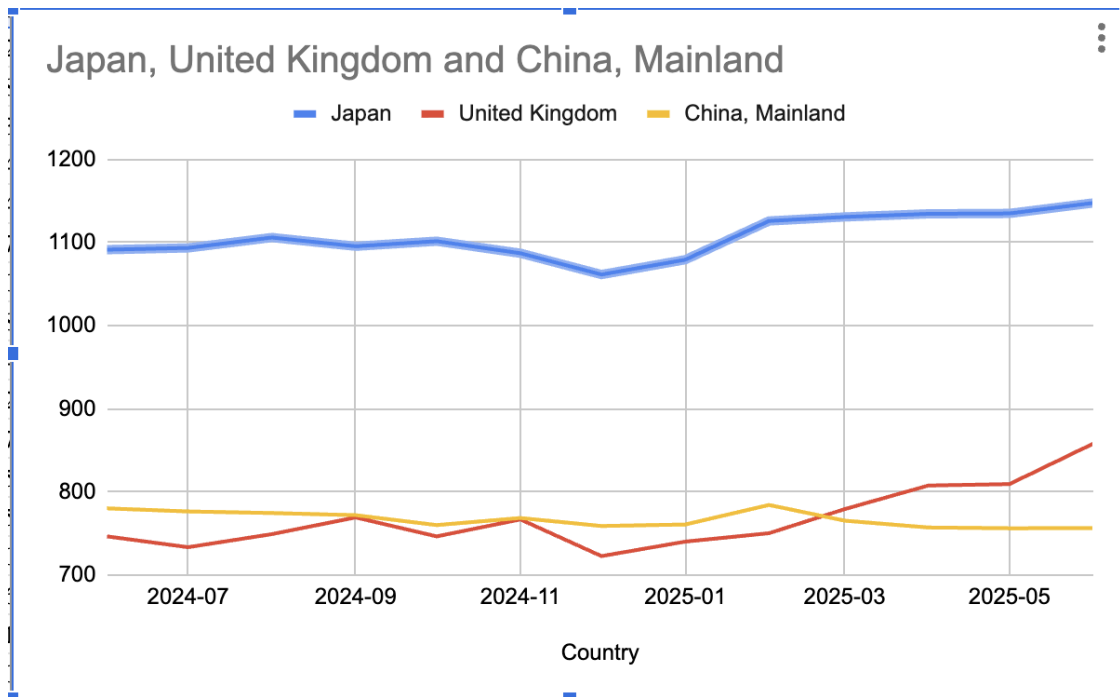
In the end, China and the U.S. had multiple bilateral meetings in neutral locations and the tariffs implementation was delayed again and again. As of writing, U.S. tariffs on China are still delayed. So what are the tariffs that are implemented? After much U.S. posturing about slapping huge tariffs, most of the actual tariffs rolled out ended up being just 10 percent. My personal opinion is the limbo dance between China and the U.S. on the tariffs will continue as both can't survive without each other. The immovable object vs the unstoppable force. One is the world's biggest producer, the other its biggest consumer. Their relationship is adversarial but interdependent. Neither can afford to break the system they both rely on.

"No Second Best" Still Holds

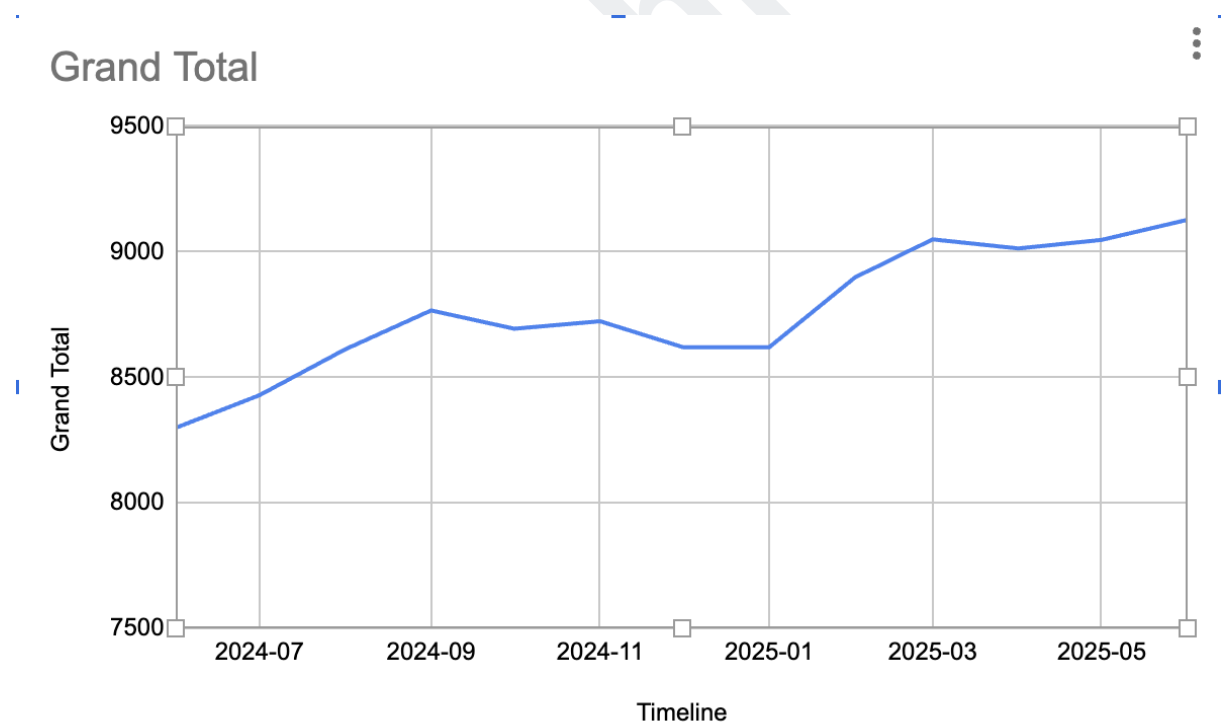
Concerns that global capital would shift away from the U.S. continue to prove unfounded. Treasury data shows Japan and the UK increasing their holdings, while China's position has remained stable. In fact, foreign ownership of U.S. Treasuries rose roughly 6% year-to-date. Like it or not, the world still sees U.S. government debt as the benchmark for safety.

America may be stepping back as the global referee, but it's doubling down as a dominant economic force. There is still no second-best country to park capital with confidence.

Once again, there is no second best country to park capital with confidence.



Source: <https://ticdata.treasury.gov/>



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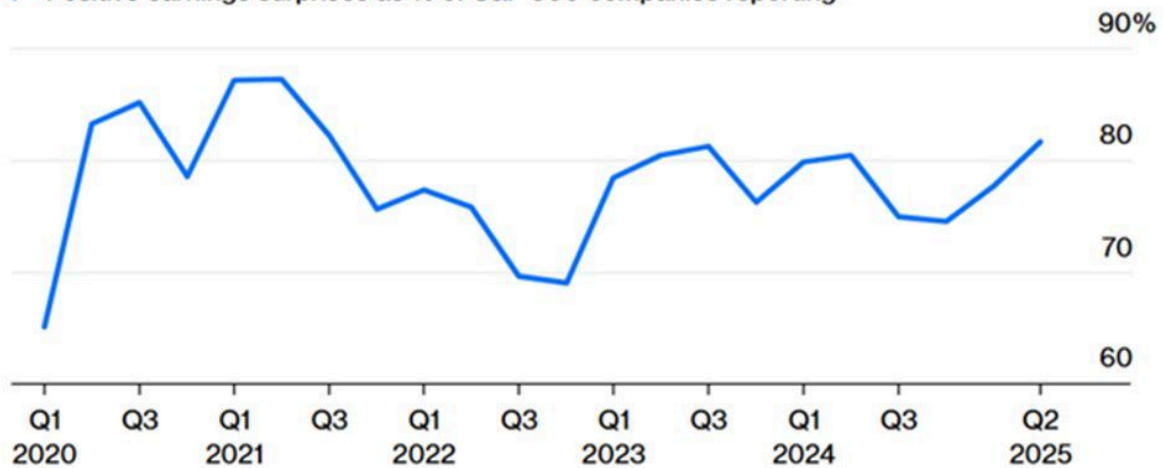
Earnings Continue to Surprise

This quarter's earnings were exceptional. Over 80% of S&P 500 companies beat expectations. Earnings rose 10.5%, well ahead of the 2.8% forecast. Valuations are up too, but not unreasonably so. The forward 12-month P/E stands at 22.1, above the 5-year average of 19.9 and the 10-year average of 18.5. In the context of robust earnings growth, that multiple feels justified.

Earnings Keep Delivering Positive Surprises

With earnings season nearly over, 81.6% of firms beat expectations

Positive earnings surprises as % of S&P 500 companies reporting



Source: AOT Invest

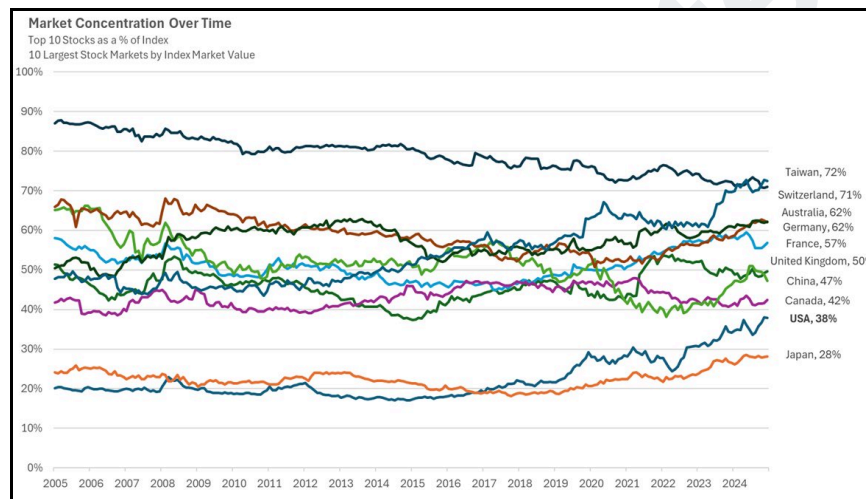


Source: [Macromicro.me](https://www.macromicro.me)

Winners Still Take All

Much of the S&P's performance continues to be driven by the largest companies, especially the "MAG7." Some see this as a bubble, but data tells a different story. The top 10 S&P 500 firms are generating more net income than ever, and the gap between them and the rest of the index continues to grow.

This kind of concentration is not unique to the U.S. In Taiwan, TSMC now makes up 58% of the local index. Investors who went all-in on TSMC did far better than those who stuck with the broader index. The lesson? Sometimes concentration reflects quality, not risk.



Top 10 Constituents - FTSE TWSE Taiwan 50 Index

Constituent	ICB Sector	Net MCap (TWDm)	Wgt %
Taiwan Semiconductor Manufacturing	Technology Hardware and Equipment	28,163,673	58.99
Hon Hai Precision Industry	Technology Hardware and Equipment	2,472,123	5.18
MediaTek	Technology Hardware and Equipment	2,005,988	4.20
Delta Electronics	Electronic and Electrical Equipment	1,367,667	2.86
Quanta Computer	Technology Hardware and Equipment	689,931	1.45
Fubon Financial Holdings	Life Insurance	680,323	1.42
CTBC Financial Holding	Banks	654,848	1.37

Source: FTSE Russell



Source: Tradingview

The reality is this: not all companies are good, and even fewer are great. Spreading capital equally is idealistic, but the market is not a socialist experiment. It's capitalism, returns go to the exceptional.

At Truffle Portfolio, we invest in the obvious winners and scan widely for emerging ones. We look for the same DNA of pricing power, resilience, compounding capability, even in lesser-known names.

One Headache Ahead: Inflation

Let's not kid ourselves. Inflation is no longer a transitory headline. It's embedded. Structural. Persistent. That's why we've increased exposure to inflation-resilient assets. We added homebuilders. We continue to hold Bitcoin. And we remain focused on businesses with real pricing power and margin durability.

Heico: A Case Study in Conviction

A great illustration of our philosophy is Heico. We featured it back when it was trading at around \$250. Immediately after our mention, the stock dipped about 12%. It's almost a rule: **highlight something and it dips first**. I can neither confirm nor deny that correlation, but the **punchline is that Heico is now up 38%**, trading near \$320. What does Heico teach us as investors? It's not just about identifying solid

businesses. It's about having the conviction to hold through the dips and, if fortune and temperament allow, the courage to buy more during the wobble.

Let's unpack Heico's story and why conviction matters.

Heico is not a flashy tech darling. It's a consistent compounder in aerospace and electronics. Over the last three decades, it has delivered annual returns north of 22 percent. A \$1,000 investment in 2015 would now be worth over \$10,000. So yes, compounding power still works.



HEICO Corporation Reports Record Net Income (Up 30%) on Record Operating Income (Up 22%) and Record Net Sales (Up 16%) for the Third Quarter of Fiscal 2025

Monday, 25 August 2025 04:47 PM

Source: Heico Newsroom

In Q3 2025, Heico crushed expectations. EPS of \$1.27 versus a forecast of \$1.12, revenue of \$1.15 billion topping the \$1.11 billion estimate, and an impressive 22% jump in operating income. Net income surged 30%, cash flow rose, and the firm continued executing on its acquisition strategy. The stock popped more than 8 % the next day.

What's powering its ascent? Organic growth in both Flight Support and Electronic Technologies segments, plus recent acquisitions like Gables Engineering and Rosen Aviation to expand its aftermarket avionics footprint. Institutional investors, including Berkshire Hathaway, have taken notice. The stock carries a near-perfect fundamentals reflecting strong earnings, sales growth, and technical strength.

Q1 2025				
≡	POOL - Pool Corp.	Add 144.53%	865,311	0.11
≡	STZ - Constellation Brands	Add 113.52%	6,384,676	0.45
≡	HEI.A - HEICO Corp. CLA	Add 10.71%	112,401	0.01
≡	DPZ - Dominos Pizza Inc.	Add 10.02%	238,613	0.04
≡	SIRI - SiriusXM Holdings Inc	Add 1.96%	2,308,119	0.02

[Source: Dataroma](#)

Heico demonstrates how time rewards discipline. It's a company with cultural depth, executional rigor, a decentralized yet consistent operating model, and strategic M&A that enhances its moat. When everyone else is busy chasing trends, patience and preparedness make all the difference.

Within the Truffle Portfolio, Heico embodies our core strategy. It's not just about discovering a great business. It's about holding onto it through volatility. It's about resisting the impulse to sell into weakness and if you have the conviction, perhaps even adding to the position when the stock is out of favor.

Beyond Heico, our broader positioning continues to emphasize portfolio resilience. Inflation-seeking assets like homebuilders and Bitcoin help protect against weakening purchasing power. Quality equities with strong balance sheets and pricing power attract us now more than ever.

We're pleased with the recent performance and depth in our holdings. Yet the market's recovery is fragile. Macro risks still exist. We remain vigilant. But I remain even more confident in this process: high-conviction investing, centered on durable businesses, executed with discipline, and grounded in patience.

Thank you for entrusting us with your capital. We aren't just managing money. We're building tested conviction. Letters like this are just mile markers, our journey continues.

Portfolio Now Closed to New Investors

With market conditions demanding full attention, we are temporarily closing the portfolio to new investors. Existing clients are still welcome to top up their accounts.

However, existing clients are welcome to top up their accounts.

Top-Up Guidelines

- Minimum investment: S\$10,000
- Follow instructions at [Funding Portal](#)
- SRS investors should fund their accounts by 31 Dec to maximise tax benefits.
[Read our SRS Guide here.](#)

Our investors benefit from a clear, principled approach to investing, one that focuses on identifying undervalued opportunities and emphasizes long-term growth over short-term swings.

Looking Forward

We remain cautiously optimistic as we scan for opportunities. Our strategy stays the same: look for quality, invest with discipline, and ride out the noise.

If you have questions or want to discuss your account, feel free to reach out at petetanpy@phillip.com.sg

Thank you, and happy hunting.

Regards,

Pete

Manager, Truffle Portfolio